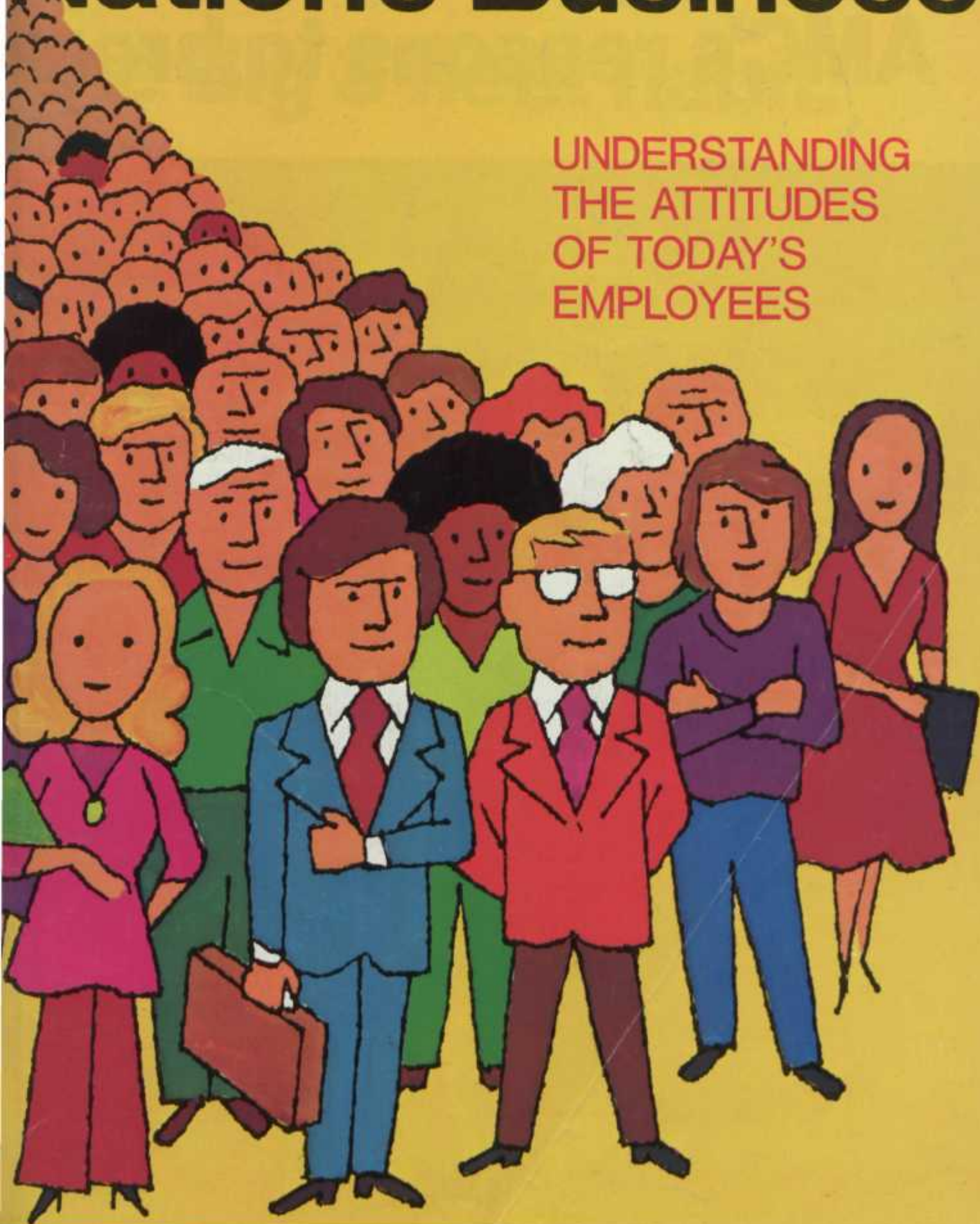


AUGUST 1976

Nation's Business

UNDERSTANDING
THE ATTITUDES
OF TODAY'S
EMPLOYEES



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AMC Hornet Sportabout



AMC Hornet Sedan



AMC Gremlin

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Nation's Business

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A Corporation Designed to Guard Investors

Fewer and fewer Americans invest in stocks.

In 1970, nearly one out of every seven owned shares in corporations, according to the New York Stock Exchange. By 1975, the exchange says, the number had dwindled to about one out of nine.

Why does the public shun stocks?

"Fear," says one broker.

"Not just fear of falling prices, but of what will happen if their broker goes bust. For example, will they lose any cash that is in their account? And what will happen to stock that they left with the broker?"

"Which means that many people apparently have never heard of SIPC or don't know what it does."

SIPC is the Securities Investor Protection Corp. What it does is pro-

tect investors if a brokerage firm collapses.

Customers of firms that are members of SIPC have several levels of protection.

First, all securities and cash which can be identified as belonging to particular customers will be returned to them.

In general, these will be fully paid for securities in cash accounts and excess securities in margin accounts which were in the firm's possession or under its control when the firm failed.

Second, SIPC will, if necessary, advance money to pay the remaining claims of each customer up to \$50,000. On remaining claims for cash held for the customer by the failed firm, however, not more than

\$20,000 may be paid from money advanced by SIPC.

Congress created SIPC in 1970. It is not a government agency, but a nonprofit corporation which operates under the oversight of the Securities and Exchange Commission.

Most brokers or dealers are members. All member firms are encouraged to display the SIPC emblem.

No one, of course, can take all the risk out of investing. Not even SIPC.

For example, SIPC does not guarantee that you will always get back stock that you left in your broker's hands. In some cases, you may have to take money equal to the stock's value at the time the firm failed.

To learn more, ask your broker for two SIPC publications that describe SIPC's operation in some detail:

- "An Explanation of the Securities Investor Protection Act of 1970."
- "Series 100 Rules—Rules Identifying Accounts of 'Separate Customers' of SIPC Members."

Your broker should have both.

Building Your Business by Phone

Monsanto Co. wanted soybean farmers to try one of its new herbicides. They were invited by phone to do so.

Thirty-six of every 100 agreed.

Bell & Howell Co.'s business equipment group was concentrating on bank executives. The group phoned to make appointments for its sales representatives.

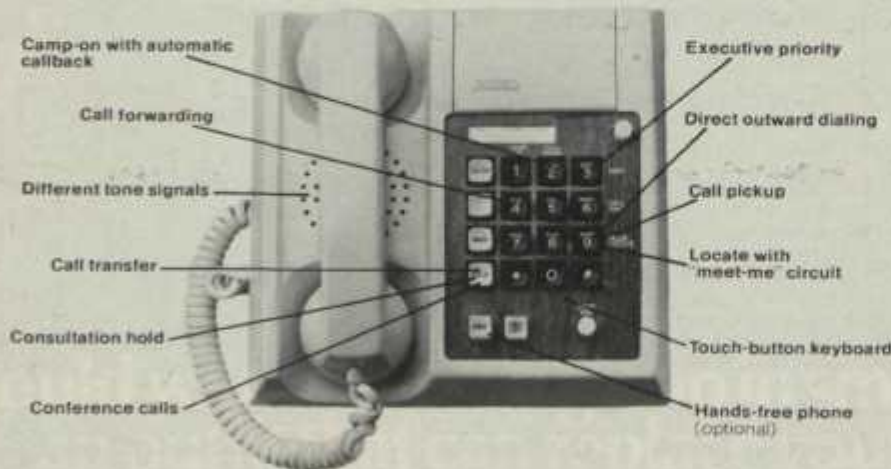
Thirty-five percent of the bankers said yes.

"Telephone marketing can perform many jobs," says Murray Roman, chairman of Campaign Communications Institute of America.

He describes how in his forthcoming book, "Telephone Marketing: How to Build Your Business by Telephone."

"The telephone is a personal medium," he says.

"To use it successfully takes specific objectives; trained communicators; a carefully selected list of



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names; timed, pretested scripts; and close supervision."

It is worth the effort, though, he claims.

"The costs of direct mail or of sending a man on the road have increased enormously," he says.

"But some telephone costs have declined."

Selling at Trade Shows

Would it hurt business to skip trade shows?

Nearly six out of ten sales executives think so.

That's what a poll of members of the Sales Executives Club of New York shows. Replies came from about ten percent of the club's 3,000 members.

Among things they have to say about this selling tool:

- Seventy-two percent believe national shows are more effective than regional shows.
- Sixty-six percent of their firms send out invitations to attend.
- Sixty-two percent hire an exhibit producer.
- Sixty percent operate a hospitality room.

What benefits do the firms expect to reap? These are mentioned most often:

	PERCENT
Develop new sales leads	26
Maintain customer contact	25
Introduce new products	15
Meet new customers	15
Sell more to present customers	9
Maintain distributor/dealer contacts	8

But the shows leave something to be desired, the lengthy Sales Executives Club survey shows. Two out of three of those responding say they're not satisfied with the conversion rate of sales inquiries into actual sales.

Hiking Profits With Temporary Employees

Need a duck winder?

How about chestnut polishers?

Labor Pool, a supplier of temporary help, has filled requests for these and other unusual jobs, says John E. Armstrong, vice president.

"In New England recently," he says, "we sent two men to a specialty warehouse to check out a shipment of mechanical toy ducks. Their assignment: Take the ducks out of the

boxes, wind them, and watch them walk across the floor to make sure they waddled properly.

"Those ducks that passed the test were repacked for shipment to retail stores."

A New York City importer sent the SOS for chestnut polishers.

He had received a shipment of chestnuts for the Christmas holiday season. To get them ready for sale, they had to be sorted, washed, polished, and bagged.

"It took 20 workers five days, in eight-hour shifts, to finish the job," he says.

Labor Pool is a division of Personnel Pool of America, Inc., Ft. Lauderdale, Fla. Like other members of the National Association of Temporary Services, it finds more and more employers are turning to it when extra hands are needed.

"Postwar booms and busts," says William F. Deal, executive vice president of the association, "have taught businessmen a lesson.

"Temporary help enables them to smooth out the peaks and valleys in their work load without putting more people on the permanent payroll.

"That can mean the difference between profit and red ink."

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The hours are long, and the pay is only fair.

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You are right at the hub of the Western world, sometimes irreverently known as Baghdad on the Potomac. And you start at the summit, hobnobbing with Cabinet members, high-level White House assistants, and, yes, even the Vice President or the President himself.

You may work at one of the government departments, or you may wind up at that very posh address: 1600 Pennsylvania Ave. N. W., Washington, D. C. 20500.

There is plenty of competition for the job.

Last year, 2,864 young men and women applied for 17 openings. Chances are, just as many will seek the honor this year.

The honor, of course, is winning a White House Fellowship.

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To get an Avis Lease Corpsman working for you, call him collect at the number in the city nearest you. (Check the Yellow Pages for other listings.)

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San Bernardino	(714) 885-7501
San Francisco	(415) 285-3500
San Jose	(408) 292-7752
Santa Clara	(408) 984-1345
Wilmington	(213) 835-3173
Connecticut: Bridgeport	(203) 384-1235
Hartford	(203) 246-1933
District of Columbia:	(202) 526-5400
Florida: Orlando	(305) 843-1380
Tampa/St. Petersburg	(813) 626-7165
Georgia: Atlanta	(404) 351-5330
Macon	(912) 746-3521
Illinois: Peoria	(312) 637-3546
Indiana: Indianapolis	(317) 632-5325
Kentucky: Louisville	(502) 366-0331
Louisiana: New Orleans	(504) 524-7567
Maryland: Baltimore	(301) 338-1500
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Detroit	(313) 371-4422
New Jersey: Matawan	(201) 566-8111
Piscataway	(201) 752-6800
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Brooklyn	(212) 389-2100
Garden City Park	(516) 742-0800
Maspeth	(212) 894-4386
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Poughkeepsie	(914) 462-7400
Utica	(315) 732-5555
Ohio: Akron	(216) 762-0231
Cincinnati	(513) 542-4800
Cleveland	(216) 432-2323
Columbus	(614) 486-5988
Dayton	(513) 228-2000
Toledo	(419) 729-9791
Youngstown	(216) 744-4284
Pennsylvania: Erie	(814) 459-8029
Lancaster	(717) 393-9667
Philadelphia	(215) 467-7800
Pittsburgh	(412) 781-1742
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Our point is this. An Avis Lease Corpsman doesn't have a closed mind about helping. Even if it means that you wind up selling him your trucks.

To get an Avis Lease Corpsman working for you, send in the coupon. Or call the nearest Avis location listed on the opposite page.

You can even reverse the charges.

**A little imagination
can solve a lot of problems.**



Avis Truck Division
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Garden City, N.Y. 11530
Att: A. Weldon



Please get right back
to me about your Reverse Lease.

- ☐ Have an Avis Lease Corpsman contact me.
☐ Send me more information.

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Company _____

Address _____

City _____ State _____ Zip _____

Phone _____ Industry _____

I currently own _____ trucks. I currently lease _____ trucks.



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ble, including career military personnel. The White House describes the program as "a one-year sabbatical in public service." After their 12 months are up, White House fellows are expected to return to their regular careers.

This year, about a fourth of the class came from business fields.

Applications are available now for next year's program. All a would-be applicant has to do is send a postcard to the President's Commission on White House Fellowships, Washington, D. C. 20415.

Deadline for requests is Nov. 1.

Warm Reception for New M. B. A.'s

The welcome mat was out for holders of graduate business degrees, class of '76.

"M. B. A.'s enjoyed the best year ever in number of job opportunities and salary level," says a spokesman for the American Assembly of Collegiate Schools of Business.

The average salary offer, AACSB adds, was \$16,200 to June graduates. That's about \$1,000 more than the average offer last year.

Blacks, other minority M. B. A.'s, and women commanded a slightly higher price, AACSB finds. Their average starting offer was \$16,500.

Graduate business degrees from the top schools fetched an even fancier price.

"Job offers to our graduates averaged about \$18,500 a year," says Dr. John W. Hennessey, Jr., dean of the Amos Tuck School of Business Administration at Dartmouth.

"But the range is fairly wide. A few of our M. B. A.'s took jobs that pay as little as \$11,000 a year. Others are starting at \$40,000."

Why the wide spread?

"Some graduates will settle for less pay—at nonprofit agencies, for example," Dr. Hennessey says. "The very top salaries, of course, are going to graduates with prior business experience who are joining blue-chip corporations."

All this has not been lost on the college crowd.

Says AACSB President William Flewellen, dean of the University of Georgia's College of Business Administration:

"Demand for a business education is going up faster than tuition." □

SEE THE SITES OF GEORGIA



IN THIS DIRECTORY OF PLANT LOCATIONS

Fifty choice industrial building sites and industrial parks are described in this 100-page brochure. There is an aerial photograph of each site, a map of environs, and detailed information about utilities, transportation, water supplies, population and other essential data. If you are concerned with locating a new plant in the heartland of the South, you will find *Industrial Sites in Georgia* an interesting and useful reference.

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Should the Minimum Wage Be Indexed?

LEGISLATION pending in Congress would provide for automatic changes in the federal minimum wage to reflect trends in living costs.

This would mean, for all practical purposes, that the wage floor would be placed on an upward escalator for the foreseeable future.

Some legislators advocate using the Bureau of Labor Statistics' Consumer Price Index as the basis for the automatic escalation of the minimum wage. Since February, 1968, when the minimum wage became \$1.60 an hour, the CPI has gone up nearly 70 percent.

On that basis, the current minimum would be \$2.72 an hour. It is actually \$2.30 an hour.

Some other congressmen believe the minimum wage should be pegged at 60 percent of the average hourly earnings on private, nonagricultural

payrolls, a figure also compiled monthly by BLS. The hourly earnings index is now \$4.80, which would mean a minimum wage of \$2.88. Supporters of the automatic-increase idea are also recommending that the minimum wage be increased to \$3 an hour, which would become the level at which any escalator plan would begin to operate.

At present, changes in minimum wage levels can be made only through laws enacted by Congress and signed by the President each time.

Opponents of automatic increases—which economists call indexing—argue that adoption of any escalator formula would simply aggravate the serious problems already evident in federal dictation of wage levels in the private sector.

A constantly increasing minimum wage, opponents of indexing say,

would soon begin to work against lower-paid workers, the very ones the pay requirements are supposed to help. Opponents claim the pay floor would eventually reach levels that would make it impossible for many employers, particularly owners of smaller businesses, to operate at a profit, and the result would be increased unemployment. They say even the minimum wage rate now in effect has caused unemployment.

But those who favor indexing point out that it is used to set levels of salaries for members of Congress and other top government officials, and to adjust federal pensions. Social Security benefits are indexed, too, and it is argued that indexing is being incorporated into more and more labor contracts in private industry.

Should the minimum wage be indexed? What do you think?

PLEASE CLIP THIS FORM FOR YOUR REPLY

Kenneth W. Medley, Editor
Nation's Business
1615 H Street N. W.
Washington, D. C. 20062

Should the minimum wage be indexed?

☐ Yes ☐ No

Comments: _____

Name and title _____

(PLEASE PRINT)

Company _____

Street address _____

City _____ State _____ Zip _____

SOUND OFF RESPONSE

How Readers Feel About Registration by Mail

SEVEN out of eight NATION'S BUSINESS readers who responded to the June "Sound Off to the Editor" question—"Should we have federally supervised voter registration by postcard?"—say no.

At present, 14 states allow voters to register by mail, and legislation pending in Congress would establish a nationwide system of registration by postcard, supervised by a federal agency. The theory is that making registration easier will arrest the downward trend in voter participation. Mail registration has not been in effect long enough in any of the states that use it to provide a fair test of this theory.

The most common objection voiced by respondents is that another multi-million-dollar federal bureaucracy is the last thing this country needs. They say voter registration is a matter that should be left up to the states, not only because it is a right that belongs to the states, but also because the states could handle it more efficiently.

Gary A. Getchell, retail manager



Steve Chapman, president of D. C. Oliver & Son, Dallas, says: "We do not need another agency to baby-sit people. Such agencies foster the complacency which created the problem."

of Paterson & Getchell, Inc., Portsmouth, N. H., believes the proposed plan would be "just one more federal move toward national standardization of a people whose very strength has come from area-by-area diversity."

The possibility of fraud is also frequently cited. James H. Hatch, president of Shawnee Steel Co., Shawnee, Okla., speaks from experience. "Having worked for 25 years in politics at the county level as a volunteer," he

says, "I can tell you that mail registration will lead to such widespread fraud as to be uncontrollable."

A related potential hazard is seen by Phyllis J. Huls, owner of Detroit Marketing Services, Detroit, who says: "With the mail system as bad as it is in terms of lost mail, and with



Lynette Tait, group manager for Lawson Milk Co., Brunswick, Ohio, would appreciate mail registration. She says: "I never got a chance to register after I moved, because I work six days a week till 6 p.m."

postal theft at its height, I feel postcard registration is a bad plan."

Many who are against such a system sound off about people's laziness, stating that registration is very easy and convenient already. J. A. Badeaux, president of National Beverage Co., Inc., Thibodaux, La., puts it succinctly: "Those who do not take the trouble to register do not deserve to vote."

Some feel that registering is in fact too easy now. "If there is to be any change," says Eugene Basilici, branch manager of Grolier Interstate, Memphis, "I'd like to see registering made tougher. The purpose would not be to deny voting, but to have a higher percentage of informed voters."

Many say postcard registration will not solve the real problem, which is voter apathy. The feeling is that many citizens have stopped voting because they have lost confidence in candidates' integrity and in government's responsiveness to the public.

Gary R. Mitchener, manager of the Halstab division of Hammond Lead Products, Inc., Hammond, Ind., gives his idea on how to improve the motivation to vote. He says: "Let us educate future voters in a way that explains our political system, pro-

notes participation, and makes registration and voting a privilege they look forward to."

David L. Howard, registrar of voters in Reno, Nev., says that "we should be more concerned with the large numbers of people currently registered who fail to vote."

Those in favor of the proposed legislation generally feel that any system that will get more people to vote is a good thing. They often add ifs—if the cost could be kept down, if fraud could be prevented, if it would in fact get more people to register and vote.

James Pitts, a vice president of Centronics Data Computer Corp., Hudson, N. H., expresses a common sentiment of those who say yes to the plan: "I rarely find time for registration because of the demands of my job."

Some in favor of mail registration suggest ways of implementing it. Says Toni Pritchard, president of TePe, Inc., Bemidji, Minn.: "Computerized tabulation could be handled quite simply, with each person given a Social Security number at



R. S. Jacobs, general manager of Hydro Carbide Corp., Latrobe, Pa., feels that "people who are not interested enough to register are not interested enough to find out the facts and vote intelligently."

birth, and with the program supervised by a judge from each state."

James J. Auger, general manager of Collection Bureau of Orlando, Orlando, Fla., favors the plan "due to the lack of interest by voters to get out and register by themselves." He adds that "streamlining and eliminating worthless and useless programs and cutting back on excess federal spending would more than pay for this worthwhile program." □

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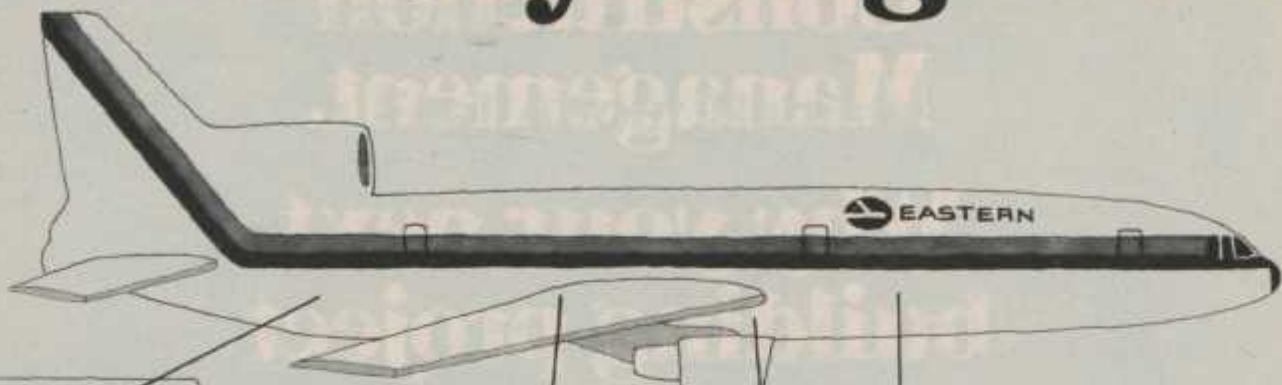


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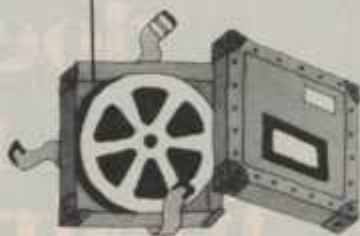
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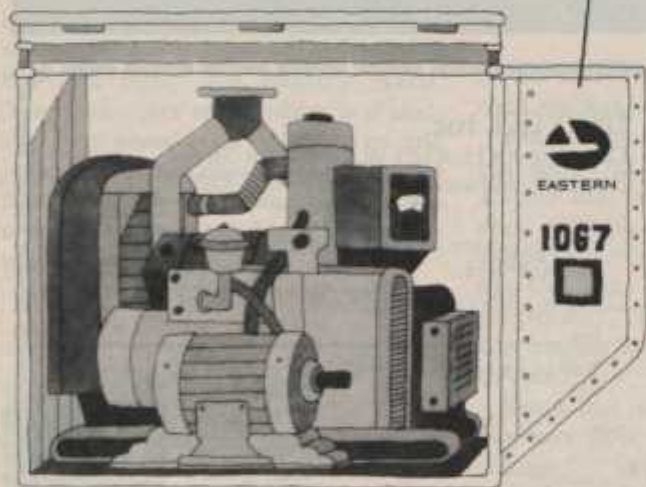
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A Victory for Common Sense on Energy

SIX MILLION voters trooped to the polls in California on June 8. Most of the country looked only to the results in the state's presidential primaries: Reagan over Ford, Brown over Carter. There was some interest also in the senatorial nominations: Hayakawa for the Republicans, Tunney again for the Democrats.

But if you had been moseying around Los Angeles or San Francisco at the time, you would have noted that Californians themselves were as much concerned with power as with politics. The referendum on Proposition 15 churned up enormous interest in the press. It dominated conversations everywhere. It provoked a battle of bumper stickers. On election night, TV analysts devoted as much time to the referendum as they devoted to Messrs. Reagan and Ford.

The issue deserved all the attention it received. Proposition 15 would effectively have put an end to the generation of electric energy in California by means of atomic power. A yes vote would have imposed such burdens upon the utilities, in terms of liability and safety, that no new plants could have been constructed. Existing plants would have been compelled to shut down. A yes vote would have given impetus to similar propositions pending for November referenda in Colorado, Oregon, and Washington.

Both proponents and opponents understood the stakes. The proponents had this advantage, that in California the fear of catastrophe lies like an uneasy film on the very surface of the subconscious. When one lives with the prospective peril of earthquake, the prospective peril of atomic disaster finds a receptive hearing. The proponents had a number of big names from the film industry to boost their cause. They had the Sierra Club, the Union of Concerned Scientists, seven Nobel laureates, and Ralph Nader on their side. It was Mr. Nader who avowed that he wants to shut down nuclear power in the nation "even if it means going back to candles" for light.

THE OPPONENTS were able to marshal a potent combination of big business and big labor. Temporarily, at least, these antagonists buried their normal hostility beneath a common understanding: Power means payrolls. The opponents were supported by 11 Nobel laureates, among them Hans Bethe and Glenn Seaborg, and by other scientists organized under the name of Scientists and Engineers for Secure Energy. Together they mounted a savvy, skillful campaign. They made a convincing case. And they won.

In the end, the outcome was not even close. Proposition 15 went down to defeat by more than two million votes: 3,984,000 no against 1,924,000 yes. The proposition carried only in San Francisco County, and it carried there by barely 600 votes out of 191,000 cast. In the other 57 counties, the no vote overwhelmed. In Los Angeles, where 1,800,000 voters turned out, only 525,000 persons voted yes. In Orange County, the proposition failed by almost four to one.

The entire nation, in my own view, may be grateful for California's landslide rejection of a proposal at once unwarranted and ill-advised. On the record, the facts simply do not support the perils that were painted by the proponents. The alternatives to nuclear power, rationally considered, provide no satisfaction.

Twenty-five years have passed since the first electric energy was generated by nuclear power at Idaho Falls. In this quarter-century, 162 reactors have been built around the world—60 of them in the United States. These plants (plus naval units) have rolled up 2,000 reactor-years of operation. In the whole of this period, not a single radiation fatality has been recorded. Yes, deaths have occurred in connection with atomic facilities: Three workmen died 15 years ago in an accident at Idaho Falls. But public peril? Death-dealing winds? None. Absolutely none.

IN ANY commonsense view, this immaculate record of public safety should carry weight. The American plants operate under the most stringent safety standards in the world. As time goes on, and the art of nuclear generation is further refined, the standards doubtless will be further strengthened. Meanwhile, the rational citizen may find reassurance in competent probability studies: The probability of death in an automobile accident is one in 4,000; the probability of death by nuclear disaster is one in five billion.

Unfortunately, everyone knows about automobiles; they are part of everyday life. Relatively few persons know much about nuclear fission; the atomic plants are dark mysteries, swathed in supposed mushroom clouds. The first task of the opponents in the California referendum was to strip away the mystery and to dispel the phantom clouds. An atomic generating plant cannot explode. It is a physical impossibility. Says Hans Bethe: "A reactor is not a bomb."

The peril, if it may be so described, lies elsewhere. It is conceivable that a nuclear reactor could lose its cooling water and go into meltdown. If everything

went wrong—if the fuel pellets melted, if the reactor vessel melted, if the containment building were ruptured—major amounts of radioactivity might be released. But the safeguards against such a total failure must impress all but the most jittery observers.

Two years ago, a Reactor Safety Study Commission, after careful investigation, put the chances of such failure at one in 100,000 reactor-years. Under average weather and population conditions, the wind-borne release of radioactivity would cause an estimated 1,000 latent cancer deaths; a more serious accident—the kind of failure that might occur once in a million reactor-years—would cause 5,000 latent cancer deaths over a period of 30 years. By way of perspective, we may note that some 50,000 persons die in motor vehicle accidents every year. Edward Mason, a member of the Nuclear Regulatory Commission, provides a comparison more easily grasped. The chance of a nuclear catastrophe, he says, is “much less than the chance of having a loaded 747 crash into the Hollywood Bowl while a concert is playing.”

THREE OTHER potential perils figured in the California campaign: The problem of disposing of radioactive waste, the risk of theft and extortion, and the prospective proliferation of nuclear weapons.

The problem of waste disposal is not yet with us on a large scale, but knowledgeable scientists perceive no insoluble difficulties on this score. Spent nuclear fuel eventually will be transported in carefully designed containers to a reprocessing plant, where the uranium and plutonium will be separated and preserved. The remaining fission products, after a period of five to ten years, will be converted into solids and probably fused into glass. The glass mass, it is assumed, will be further enclosed in steel and then interred in concrete mausoleums in a desert area. The risks involved in transporting this material are significantly less than the risks of transporting conventional chemicals.

Opponents of nuclear power plants like to sketch a scenario in which armed terrorists overcome the guards and threaten to sabotage a plant, or to steal the atomic fuel, unless their demands are met. The possibility of such a seizure is real, but the public peril is slight. Saboteurs might do considerable damage within the plant, but unless they possessed the most intimate and expert knowledge of the operational controls, they could accomplish little more. Public water supplies would present far more tempting opportunities.

Beyond question, there is a risk that a growing number of nuclear power plants could accelerate the proliferation of nuclear weapons. Dr. Bethe regards this possibility as “the only really serious objection to nuclear power.” It is useful to keep in mind that the United States is not alone in this field. Germany has 11 atomic plants under construction and expects to generate 45 percent of its electric energy from nuclear fuel in another ten to 15 years. Japan has 24 plants under way and anticipates 47 percent of its electric power will be atomic by 1990. France is even further along; by 1985, more than two thirds of France's electric energy will be nuclear.

As the plants grow in number, the volume of available fissionable material will increase correspondingly. But with careful international safeguards, the risk of proliferating weaponry may be contained. In any event, this is not a risk that the United States, unilaterally, can do much about.

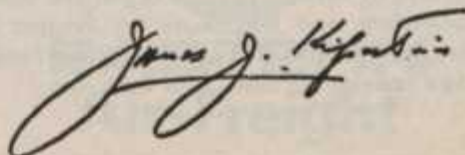
IT FOLLOWS from all this, at least in my own view, that a prohibition on nuclear plants simply cannot be warranted in the name of public safety. We live in a perilous world. These generating plants will not make the world significantly more perilous.

What are the alternatives to nuclear power? Suppose the proponents had prevailed in California and their position were to be nationally accepted. The nuclear plants now supply about nine percent of our electric energy. If this nine percent were to be canceled entirely, which is where Proposition 15 would have taken us, what then? The alternatives are two—(1) to reduce energy consumption by this amount, or (2) to replace the nuclear power with power from other fuels.

The opponents of nuclear energy seem not to have thought their proposition through. Mr. Nader's affection for candlelight notwithstanding, few Americans would be willing to suffer the personal and economic consequences of Proposition 15. But if nuclear-generated power were replaced by coal-generated power, the risks to public health—notably in heart and lung disease—would materially increase. We could expect more surface mining, more offshore drilling, more ecological dangers. The United States would have to import vastly larger supplies of scarce oil. The domestic cost of electricity would go up, while our balance of payments went down. My liberal friends, so concerned for the common people in the abstract, are not so concerned with the impact of their folly upon people as people. It may be nice—I am a little doubtful about this—to be protected against a risk that may occur once in five billion years. Having relatively less expensive electric power is a prospect with greater human appeal.

COME THE MILLENNIUM, to be sure, we may have to worry about none of these things. Come the millennium, we may have so much solar power, wind power, tidal power, and geothermal power that power from both nuclear and fossil fuels may be largely replaced. Come the millennium, we may have planes, cars, trains, and trucks that run on methane or sour mash bourbon. Or, for that matter, come the millennium, a few survivors may be walking barefoot over the dark and smoldering cinders of what once was a pleasant planet.

The millennium, literally and figuratively, is a ways off. Thanks to the good common sense of California's voters, we may be better prepared to cope with the here and now.



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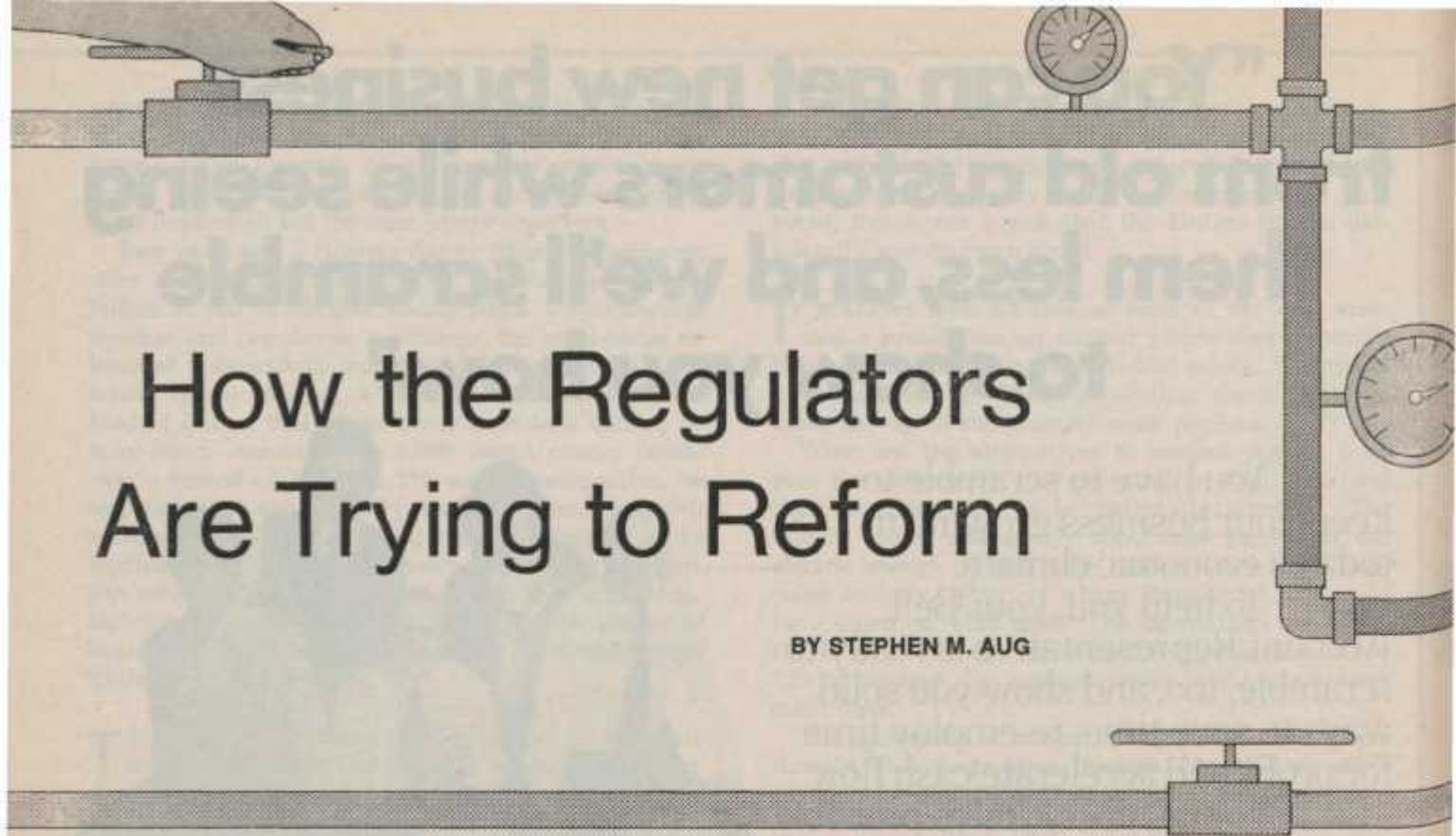
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How the Regulators Are Trying to Reform

BY STEPHEN M. AUG

SOME MONTHS AGO, George M. Stafford, chairman of the Interstate Commerce Commission, was asked about the effect of a recent regulatory reform move.

Now that Congress had passed and the President had signed legislation calling for a phaseout of much of ICC's control over railroad freight rates, rail line abandonments, and mergers, would the commission have a good deal less work to do? Would ICC have to retain all of its 2,000 employees? Was not its involvement in the business decisions of the railroads, at least, going to decline substantially?

Fewer curbs but more activity

Mr. Stafford, who has been chairman of the nation's oldest economic regulatory agency since 1970, leaned back in his chair, tapped his fingers together thoughtfully, and, at last, smiled from ear to ear.

"Matter of fact," he said, "we are going to be involved more than ever."

Not that ICC's role in railroading isn't destined to change as a result of the railroad regulatory reform legislation, approved in connection with reorganization of the bankrupt northeastern railroads.

Railroads should find it easier to raise freight rates without commis-

sion interference. And they may find it easier to cut some rates to regain traffic from truckers and barge line operators. This rate flexibility should help railroads improve their utilization of freight cars. Higher rates for grain during harvest season, for example, may encourage storage of some grain for movement later, when freight cars are not in great demand and rates are lower.

At the same time, there is, indeed, more work for ICC.

For one thing, as a result of the legislation, ICC has launched an investigation into the effects of diversification by railroads into nontransportation businesses. Of course, the agency might well have held that investigation a decade ago, since the railroad diversification movement peaked in the 1960's. In fact, ICC has been looking into one railroad-based conglomerate—Kansas City Southern Industries—since 1970, but has reached no conclusions yet.

Market dominance

Among other new tasks destined to make employees of the "reformed" ICC busier are:

- Establishing standards to determine whether a railroad has market dominance over a particular service. This is a new concept, and railroads

shown to have no market dominance will be granted wide rate-making freedom.

- Developing new standards in connection with certain railroad costs—again, related to rate-making.

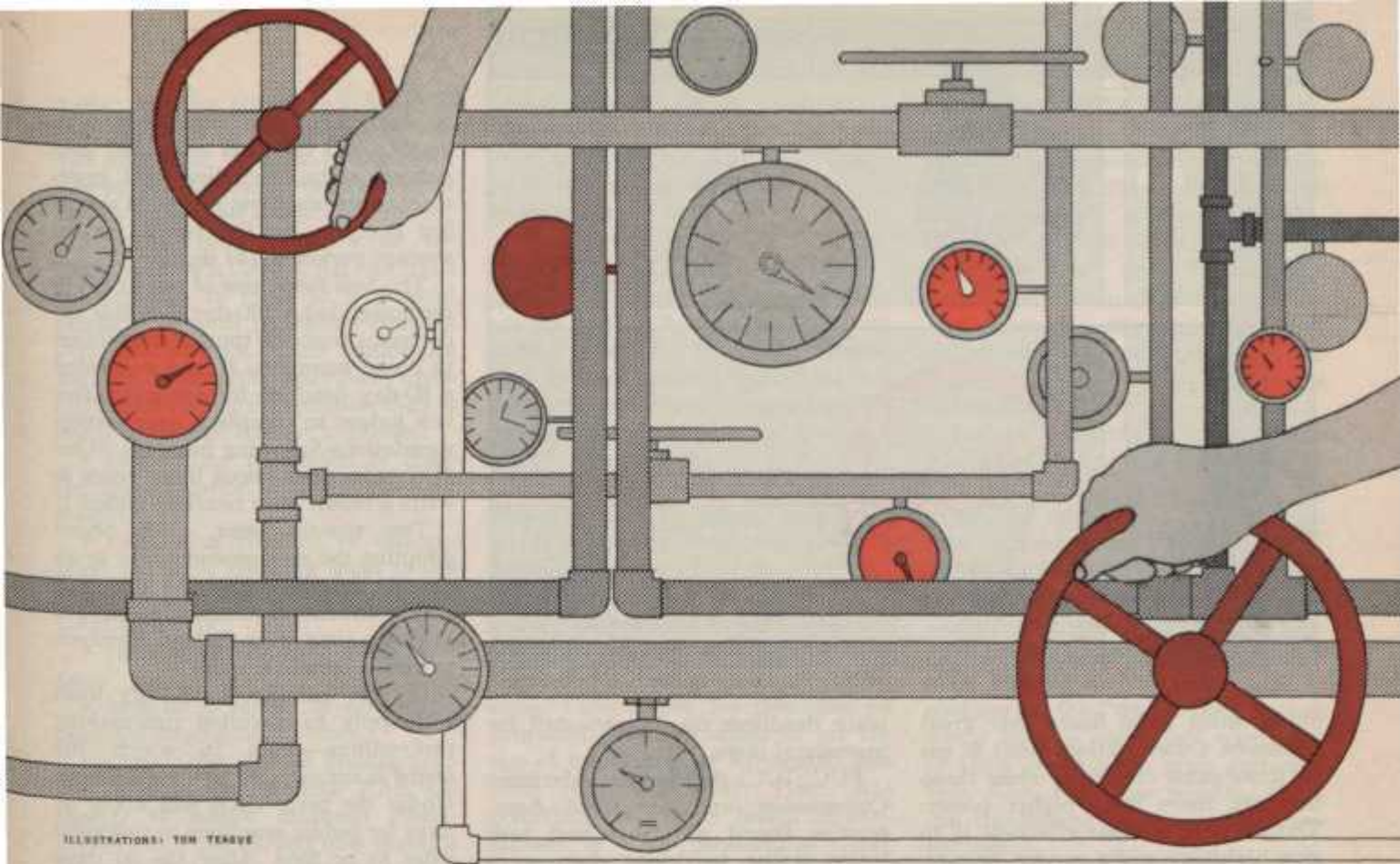
- Establishing standards to be used in determining how railroads divide among themselves revenues received from freight shipments transported on more than one railroad.

And there are more studies to be undertaken, new procedures and rules to be established, and—inevitably—more pieces of paper to be filed by the railroads under ICC regulation.

Thus has regulatory reform swept through the musty corridors of the 89-year-old ICC.

A widespread movement

Disappointing as its results may be to advocates of less government activity in the private economic sector, the legislation to change ICC's railroading role was part of a widespread movement to which supporters of private enterprise cannot help but wish success. The movement has been under way for the past couple of years. Its goal is to reform federal agencies' regulatory procedures which have—to say the least—deep-



ILLUSTRATIONS: TOM TEARNE

ly irritated businessmen, among others.

There have been regulatory reform moves at other federal agencies that have not followed specific legislative or White House action. Depending on who is giving the explanation, these changes result from the agencies becoming more responsive to those they regulate or to the public, or from agencies' worry over what actions the White House and Congress might force them to take.

Delay in decision-making is one area in which virtually all the agencies agree there is a problem. The length of time cases are before regulatory commissions is nothing short of a national scandal. Until recently, however, few outside of the regulatory community have been fully aware of it.

Lately, the general public has begun to learn about regulatory delay firsthand. The reason is the current boom in citizens band radio. A year ago, the Federal Communications Commission was receiving about 180,000 applications a month for new CB licenses—a substantial number even then. But public fascination with CB radio became so intense that, by early 1976, the number of new applications had swollen to about half a million a month, enough

to snarl completely the FCC licensing facility at Gettysburg, Pa.

It is worth noting that it should be simple to get a CB license—there is no examination, and you need no specific knowledge of anything. Just fill out a form, send \$4 to FCC, and the license ought to come back by return mail.

Long wait for a CB permit

Consider, though, the consternation of thousands of would-be CB-ers who bought their sets and then had to wait three months for a permit. In their frustration, many were simply getting on the air without a license, a move that could have subjected them to a \$10,000 fine and/or a jail term if they were caught. Pointing out the relative efficiencies of the federal government and private industry, one CB-er said he waited ten weeks for a license—but only two weeks after he received his license, he started getting mail from CB equipment suppliers.

It remained for Sen. Thomas F. Eagleton (D.-Mo.) to introduce legislation that would permit point-of-sale licensing: Anyone buying a CB transmitter would complete a license application form, which would be sent to FCC by the retailer. The form would have preprinted call let-

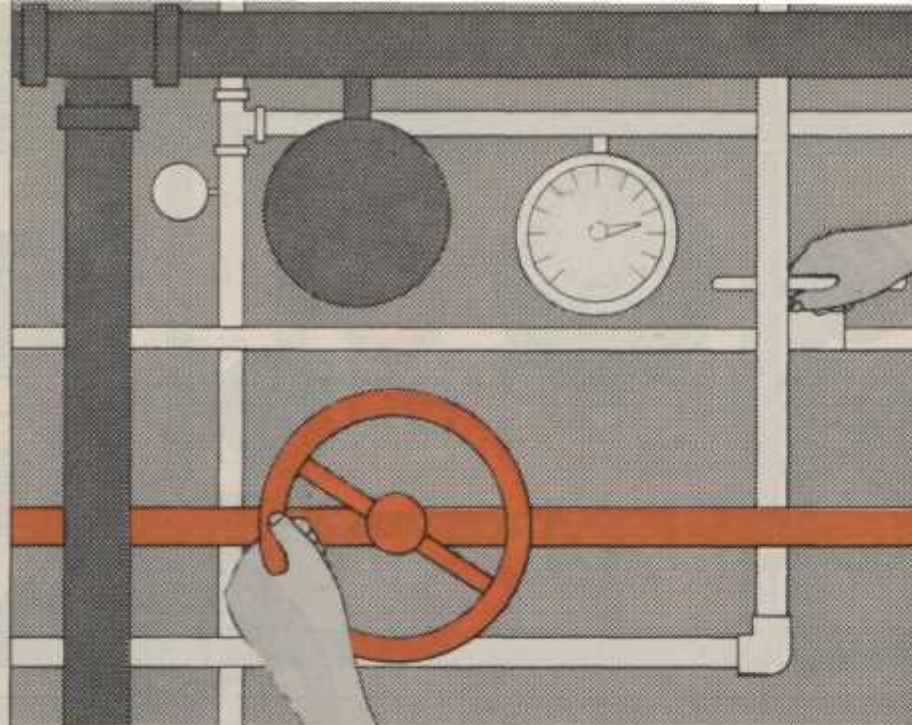
ters, and the buyer could consider himself licensed once he filled it out. FCC would notify him later if there were a problem.

Several weeks after Sen. Eagleton submitted his bill, the commission itself finally moved to eliminate the licensing delay problem that had prompted him to introduce the measure.

When an individual buys a CB transmitter now, he submits his application and \$4 fee to the commission as he would have in the past. But he also gets a temporary permit, and he is officially given permission to use as call letters the letter K, the initials of his first and last names, and his zip code. The permit is valid for 60 days—presumably indicating the commission figures on having its backlog down to two months. Eventually, the new CB-er gets both a regular permit and regular call letters.

The oldest pending case

What is probably the oldest pending case before any federal regulatory body is the so-called Clear Channel Broadcasting in the Standard Broadcast Band proceeding at FCC. The case deals with several channels which are occupied by only a single radio station at night, en-



abling them to be heard over great distances. Other stations want to get on those same channels, while those that are there want higher power. The purpose of clear channels is to give nighttime radio service primarily to rural areas which have no local radio stations. Officially, the proceeding began in the 1950's, although its roots go back to a pre-World War II squabble between KOB in Albuquerque, N. Mex., and then-WJZ (now WABC) in New York City over the use of 770 kilohertz.

The decision to decide

The case, which stands as a continuing source of embarrassment to FCC, languished for years. Then, last December, the agency in effect decided to make a decision to decide. FCC asked for public comment on a variety of proposals which could include authorization for perhaps a dozen superpowered radio stations.

Last spring, the agency also handed down a ruling it hopes will solve the KOB-WABC dispute that started the whole thing.

Considering the time it takes for FCC officials to examine the multiplicity of papers filed in any given proceeding, however, it could be years before the agency finally makes up its mind on the overall clear channel case.

This is not to say FCC has not tried. Under the leadership of hard-driving Chairman Richard E. Wiley, FCC has moved to eliminate some paperwork for routine matters and has become the first commission to

place deadlines on its own staff for procedural steps.

FCC, ICC, the Federal Maritime Commission, and the Civil Aeronautics Board all have had task forces trying to devise changes in procedures that would cut down the present tangle of procedural spaghetti, or otherwise make the regulators more modern and efficient.

The FCC task force, directed by W. Louise Florencourt, of the agency's office of opinions and review, pointed out how delays have grown at FCC.

In 1940, for example, actions on applications for new broadcast stations in which no hearings were required took an average of two months and 17 days to complete. In 1952, Congress placed a three-month limit on these applications and required a prompt report on delayed cases. By the end of March, 1975, this report—it is filed monthly—was running to 150 pages, and the time required for these apparently routine cases was eight to 12 months.

Delay is simply inherent in the regulatory system, Ms. Florencourt wrote, "and procedural changes are unlikely to have any palliative effect." Nevertheless, she did recommend some procedural steps, several of which the commission has adopted.

Embarrassment at CAB

And consider the embarrassment at the Civil Aeronautics Board last January when a blue-ribbon task force of outsiders blamed the members themselves for the delays there.

In July, 1975, the task force said, major CAB cases on which all procedural steps, including oral argument, were complete had been awaiting decision by the board for an average period of 144 days.

The task force, one of two at CAB, recommended a 120-day deadline for decisions from the time of submission to board members. It also suggested a 90-day deadline for administrative law judges to complete their recommendations following hearings. (One ICC judge took about three years to write a report after hearings ended.)

Two months later, CAB began adopting the recommendations, to an extent, thus becoming the first federal economic regulatory agency to limit the time given its own members to decide certain cases.

In this instance, a 120-day limit will apply to so-called rule-making proceedings—those in which the board is considering new regulations. Under the plan, CAB will allow 30 days for public reactions to proposed rules to be filed. After the 30 days are up, the board members will have 120 days in which to take final action. The oldest rule-making proposals before CAB have been pending for more than five years.

Since April, 1975, CAB has been under the chairmanship of reform-minded John E. Robson, a former Chicago lawyer and first general counsel of the Department of Transportation, who was appointed to clean up the board's image. CAB's image had suffered due to accusations of improprieties committed during the chairmanship of Robert D. Timm, a Nixon appointee and former Washington State regulator.

Financial disclosure

One of Mr. Robson's first acts as chairman was to make a public disclosure of his personal financial holdings. He later commissioned a study of airline deregulation and seriously considered an experimental program of limited deregulation, although uncertainty about the board's legal authority to launch such a program prevented the agency from putting it into effect.

Later, in an attempt to dispel public suspicions about private meetings between officials of federal agencies and executives of firms that they regulate, Mr. Robson inaugurated a policy of opening his calendar to the

public. He now publishes a daily digest listing those with whom he has met and what they have discussed. The other CAB members have agreed also to make their calendars public.

Adopting suggestions of an internal staff task force, CAB has come out publicly in favor of a gradual phaseout of some regulatory controls over the airlines. After conceding that CAB regulation may have made airline travel more expensive than it needs to be, Mr. Robson suggested:

- Eliminating regulation of charter transportation and domestic air freight.

- Expanding freedom of unregulated air taxis, allowing them to use larger planes without coming under CAB authority.

- Expanding domestic route systems.

- Making it easier for airlines to abandon unprofitable routes.

- Giving the airlines greater pricing freedom and limiting CAB authority to confer antitrust immunity—which the agency now does for capacity reduction agreements and mergers.

The proposals do not go as far as the board's critics would like, however, and they set no definite timetable for ending government regulatory control.

Reforms, agency by agency

CAB, of course, is not the first agency to urge that a sizable portion of its regulatory authority be clipped. The Federal Power Commission has been urging for several years that the government deregulate the producer prices of natural gas.

To a greater or lesser degree, each of the economic regulatory agencies has been moving toward some sort of reform.

Here are some of the moves:

Civil Aeronautics Board. Members' calendars are now made public. Public financial disclosure by the chairman. Time limits for decisions on proposed rules. Creation of an Office of the Consumer Advocate—this took place when Mr. Timm was chairman—to act on behalf of consumers in CAB proceedings. Also, CAB has recommended legislation to cut back on substantive regulation of

airlines, as has the Ford administration.

Federal Communications Commission. FCC has cut certain paperwork requirements for routine radio station matters. Has placed time limits on certain staff work. Has limited length of certain legal documents. Has granted administrative law judges and key staff personnel authority to settle cases by consent judgments.

Federal Maritime Commission. FMC has created a committee to review procedures aimed at trimming delay. Is considering rules to cut time of proceedings, mainly by imposing stiffer time limits. Has encouraged the parties in cases to agree to narrow the issues in proceedings. Has created a group to study possible substantive reforms, such as changes in the "conference" system which permits steamship companies to agree on common rates and markets. Also, FMC has required financial disclosures by many FMC employees.

Federal Power Commission. FPC has opened meetings to the public and made detailed agendas public. Has required each commission office to submit a report every six months on what regulatory issues are expected to loom large in the future, so the agency can do a better job of averting backlogs. Has encouraged staff members to settle cases before lengthy hearings. Has installed a new system to cut from 50 to 15 the number of forms regulated companies will have to file.

Federal Trade Commission. FTC has established an internal committee to evaluate consumer protection cases and eliminate those that are cost-ineffective. Has devised a new procedure to eliminate one step in case reviews, speeding up such reviews. Has disposed of old, stale investigations, thereby cutting the average age of preliminary investigations by a third—to ten months in late 1975 from 16 months in late 1974.

Interstate Commerce Commission. ICC has formed an internal task force to study possible procedural deadlines. Has computerized its case-control system, and thereby has begun to trim the number of cases more than two years old. Has set up an office of public counsel. Substantive reforms include an agreement to end

The Cost of Regulatory Delay

Delay in federal regulation can be costly. One enormously costly delay involved the Interstate Commerce Commission and the Chicago, Rock Island & Pacific Railroad.

Rock Island stockholders had voted to merge with the Union Pacific Railroad, which wanted the merger, too. There were conflicting claims by other railroads, principally the Chicago & North Western Railway. The case went before ICC in 1963 and dragged on and on.

Finally, late in 1974, ICC decided to grant Union Pacific and the Rock Island what they had wanted. But by that time, the Rock Island, its facilities worn out and its management unable to borrow money or make decisions because of uncertainties, was in deep financial trouble. Union Pacific no longer wanted it. The Rock Island went into reorganization last year.

Under the original proposal, Rock Island stockholders were to have received .85 of a share of UP stock for every Rock Island share. If the merger had been consummated early in 1975, when Rock Island stock was still listed on the New York Stock Exchange, and when UP shares were selling for about \$70 each, a Rock Island share would have been worth about \$60.

Recently, the Rock Island's 2.7 million shares—which were delisted by the New York Stock Exchange following the firm's bankruptcy—were selling over the counter for about \$5 apiece, and UP stock had risen to about \$90.

Under recently passed reform legislation, ICC now is required to settle railroad merger cases in less than three years.

But that change came too late for Rock Island shareholders.

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the practice of narrow restrictions on what commodities truckers may carry. Also, ICC has requested legislation giving itself authority to exempt certain transportation from regulation. In addition, of course, there is the railroad regulation legislation enacted by Congress. And administration-proposed reform of regulation of trucking is pending in Congress.

Securities and Exchange Commission. SEC expects to begin examining each new regulatory proposal to determine its economic impact. Has set up an advisory committee to consider changes in its rules on corporate disclosure. Promises to cut down the amount of paperwork brokers will have to file. Has begun a review aimed at trimming, from an average of 52 days to 30 days, the length of time between completion of hearings in a case and an administrative law judge's recommendations. Has established specific deadlines to hand down decisions on appeals within 60 days from the date SEC hears arguments.

Business awaits an answer

Whether changes being made at these agencies are actually going to make regulation speedier and better remains to be seen.

It is worth recalling the pessimistic views of the FCC Task Force on Adjudicatory Reregulation. Addressing itself to the problem of administrative delay, the task force said:

"If the past is prologue, the task force does not foresee that adoption of reformed procedures will silence complaints of delay."

Pointing out that many delays are caused by lawyers who practice before FCC or work for it, the task force said: "Lawyers generally are known as traditionalists, and habits of administration or practice that have been accepted over the years and have become established at the commission will be hard to change."

Nevertheless, the seven FCC commissioners forged ahead with their procedural reforms.

The question of how effective these and other regulatory procedure changes will be cannot be answered for some time. It is an answer many businessmen will be waiting for. ☐

MR. AUG is a business writer for "The Washington Star" who specializes in regulatory affairs.

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Understanding the Attitudes of Today's Employees

AN INTERVIEW WITH DR. JOHN F. MEE

If all you know about managing people is what you knew ten years ago, you are out of date, says an expert on management psychology. In this interview, he discusses requirements of business leadership now and in the future

BUSINESS EXECUTIVES have a wide choice of managerial styles today, and picking the right style is more critical to success than at any time in the past.

What it takes to motivate today's increasing number of younger, better-educated, more skillful employees is different than what it took to motivate workers only a few years ago.

It behooves everyone who manages a business to study employees closely before deciding which leadership method to use.

Points to consider:

- Are your employees working for a paycheck or for career advancement?
- Who among your employees responds to authoritarianism?
- Who works best in a more permissive environment?
- What are the best methods of motivating employees today?
- How can a manager earn respect?
- How important are the answers to these questions in the management of your company, and are the answers likely to change in the near future?

Every business executive has to answer for himself. Moreover, every executive has to answer the questions again and again, for it is most probable that the answers to many of them today would be quite different than only a few years ago.

An expert in the field of employee relations, including the motivation of employees for better business efficiency, is Prof. John F. Mee, of Indiana University's Graduate School of Business. His areas of specialty are management and leadership psychology.

Until two years ago, Dr. Mee was dean of Indiana University's Division of General and Technical Stud-



Employees want more than money

DRAWINGS: CHARLES A. BURN

ies. He now operates a successful livestock business and does management development work for a number of firms, large and small. He has served as Indiana commissioner of revenue and as a consultant to the President of the United States.

In this interview with NATION's BUSINESS, Dr. Mee looks at the psychology of executive leadership, especially in the light of the changing nature of employees today.

Prof. Mee, are today's employees different than the employees of yesterday? Is something new happening?



Something new is definitely happening. If you compare today with 20 or 30 or 40 years ago, there is a vast difference.

If all you know about managing people is what you knew ten years ago, you're out of date.

Past managerial approaches were based on management as a system of authority. Authority often depended on ownership of the firm. Employees depended on the owner-manager for wages and jobs, and thus employees were more willing to be housebroken and placed into organizational harnesses.

Present managerial approaches tend to be based on management as a resource. Younger employees are better-educated and expect the dignity and satisfaction of a management approach that recognizes knowledge, skill, aptitude, and expectations.

People today expect to work more to achieve objectives and less merely to follow orders or procedures. Management authority today is derived more from personal qualities—possession of knowledge, skills, and values—than on ownership of capital or property.

Would you describe some of the management approaches that get best results?

There is results management, goal-oriented supervision, management by objectives, and goal-setting for performance appraisal.

Actually, all are varieties on the same approach.

All are based on the managerial environment that permits an employee and his manager to work toward mutual objectives by using the management resources of both to solve problems and achieve results. It is an approach of power through people, rather than power over people. The other fundamental management approach—the authoritarian approach—is, of course, based on the latter.

Different approaches are still required, however. Is that right?

Yes, different approaches are used in the same orga-

nization. Some younger employees may feel more secure under the authoritarian or paternalistic approaches.

The contingency management style and its related situational management style are gaining in acceptance. These styles hold that management concepts are not universally applicable, but are suitable only if the right conditions exist. Different situations require different concepts; therefore, any specific management style is contingent upon the situation.

There is another reason for flexibility in management approaches. In this era of high technology, life cycles of markets and products are getting shorter. Therefore, individual executives may shift more from project to project—an ad-hocracy style of management, if you will. In this style, a managerial approach is followed, on an ad hoc basis, for a particular project only.

However, the trend is toward results management, for the most part.

Why?

If the employee is considerate and reliable, he or she should be consulted in any part of the decision-making process that affects his or her future. There are exceptions to any rule, but becoming a part of the leadership situation has great appeal to employees—and, therefore, great merit for employers.

As soon as you bring employees into decision-making, into the process of achieving results, they are committed. This is good, and it is one reason for the popularity of results management.

Results leadership occurs when a leader is successful in creating a situation that permits employees to exercise self-commitment and self-control to achieve a specific, realistic objective instead of following work procedures and processes with little meaning.

On the other hand, if an executive chooses to use a leadership style that merely orders or dictates, then, of course, his employees are less committed. They are relieved of responsibility.

One plant manager of my acquaintance thought that



all he had to do when things weren't going well was sit in his office and give instructions. He understands better now, and he wonders how he could ever have been so stupid. Now, he's a leader who plans in cooperation with his good people and then gives the orders.

Another thing: It's important for an executive to get his objectives across to his employees. If the employees don't know his objectives, they don't know how to use their abilities to help him.

You have said that today's younger, better-educated workers are more interested in achievement than other workers. How about other differences from the past?

Well, these employees want the chance to be innovative. Also, compensation is not so important as in the past. For one thing, there are fewer differentials in executive compensation now than in former days.

And youngsters tend to be impatient. They are not scratched and bruised like many older people who know their weaknesses and strengths and who know the cost of failure. Younger employees don't often consider the cost of failure. Few of them have yet had the time to fail, so they have greater belief in their abilities than oldsters.

Young people with more education tend to show loyalty to their disciplines or to their professions rather than to companies.

Managers must recognize this and try to integrate loyalty to a discipline or profession with loyalty to the company. This can't always be done.

Look at the labor unions. They have a loyalty problem also. There is less loyalty to unions and more to professions than ever before. Today, young employees say: "My bread and butter comes from loyalty to my discipline."

Since many young followers in business today are not only better-educated but more talented than their leaders, they often resent being given orders by those leaders. If the leader is any good at all, he will involve these individuals by setting specific, realistic objectives.



You have also said that management authority today derives more from managers' personal qualities than it did in the past. Will you elaborate?

A fundamental change began taking place in the 1950's. Before then, employees were more obedient to the authority of those occupying management positions. Employees accepted the dictates of supervisors.

Today, managers must demonstrate their competence by performing the accepted functions of management to accomplish acceptable objectives.

Managers will be followed only if they show they deserve to be followed by demonstrating their abilities, skills, and values. This applies to all types of managers. The popularity of increasing numbers of management education programs in universities, business firms, and professional associations is evidence of the recognized need for managers to understand changes in attitudes.

Why have attitudes changed?

Changing attitudes that influence the function of managers result from changes in the economic, social, political, and technological environment.

The view that the manager has the right to set norms, standards, or objectives unilaterally has softened. Presently, managers are permitting nonmanagerial employees to establish group norms. Labor unions have inputs in the manager's decision process, for example. So do scientists, accountants, engineers, and other professionals.

The old attitude of managerial elitism is being eroded by an attitude of egalitarianism. Employees seek an equality of results in place of an equality of opportunity pertaining to employment, promotion, pay, health, and retirement. Employees seek rights based on being members of the community rather than rights based on individual productivity and property.

A prevailing attitude considers business both an economic and a social institution that should contribute to the quality of life in addition to providing goods, services, and employment. Consequently, employees must receive values and satisfactions from their work in addition to compensation.

What is the ideal age to get young employees on the executive track?

The middle twenties. If you don't have good young people in executive development by their middle twenties, they're likely to move to another company.

Does praise pay for today's employees, especially younger employees?

Recognition for a job well-done reinforces an individual's self-image and self-satisfaction. One way to show praise is with money. Another is through the behavior of the leader. How does the leader greet the praiseworthy employee? How does he recognize the good worker?

Praising is one of the major psychological considerations of leadership. Praise increases an individual's pride and his or her hopes of making a contribution. Praise and recognition for a job well-done make for better employees.

What about criticism?

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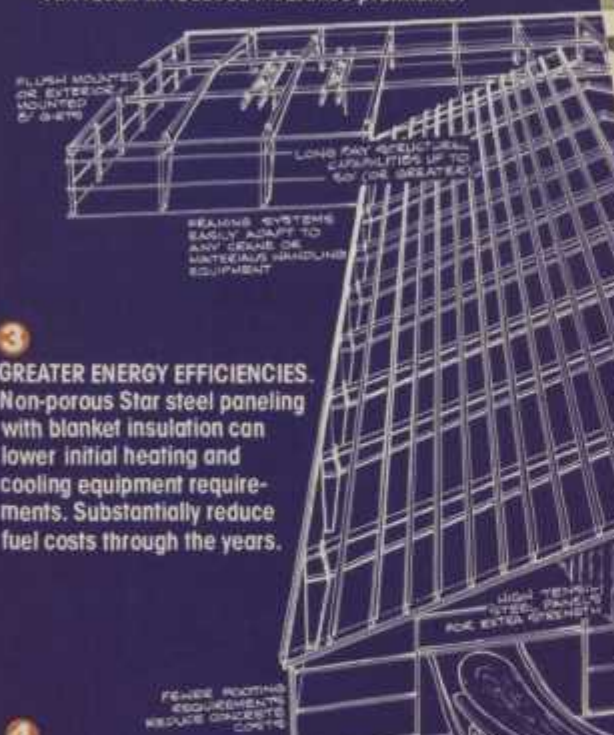
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Criticism is an important factor in leadership, if the criticism is constructive. In a corrective-type interview, the leader should bolster the employee's morale with a few words of praise before discussing an area in which a better job could have been done.

The failure of a leader to justifiably criticize implies he condones poor performances, and such performances adversely affect other workers.

Simply transferring an offender is no solution. That held true in the past, as it does today.

During World War II, I was personnel officer of an Army air unit in England. We had a fellow who was not performing well. He also had a brother holding high rank. The brother heard about the situation and used his influence.

I was ordered to transfer the offender; no effort was made to constructively criticize him.

The offender was duly transferred to the Far East. A month later, I was transferred out there to the same unit. And, within a month, the same old complaints about him came in. So there I was with the same old problem. Again the offender was not criticized. What did we do then? We promoted him, decorated him, and sent him back to the U. S. I'm not proud of that solution.

What are some psychological errors of leadership that are committed today?

Failure of leaders to adequately use the knowledge, abilities, and aspirations of employees. Few younger employees want to be put into organizational harnesses where they can't use their talents and knowledge.

And, presently, there is a knowledge explosion among employees. Within a decade, we will have more college-educated people in our work force than people who have not graduated from high school. In 1900, there were 238,000 university students. Today, there are more than nine million.

One error is to be the kind of person who wishes to



lead, to have people respond, but who depends on words and orders. The true leader has to perform as well as talk. The true leader can no longer employ the philosophy expressed in the saying, "Don't do as I do, do as I say."

Look ahead ten years. What employee psychological problems do you anticipate that managers may be facing?

Employees must be psychologically prepared to take repeated retraining. Already, the hourly employees at some rubber companies are retrained every six years, on the average, just to keep them up with technology changes.

Rapid changes will make many individuals feel insecure in their work, because change can have an unhealthy effect on some individuals. A person needs faith in his own abilities to face these changes, and the manager needs to support his people while, of course, facing changes in his own situation.

We have always had changes, but changes have not come as fast as they do now.

When is it psychologically best for the leader to tell his employees that the company is in trouble?

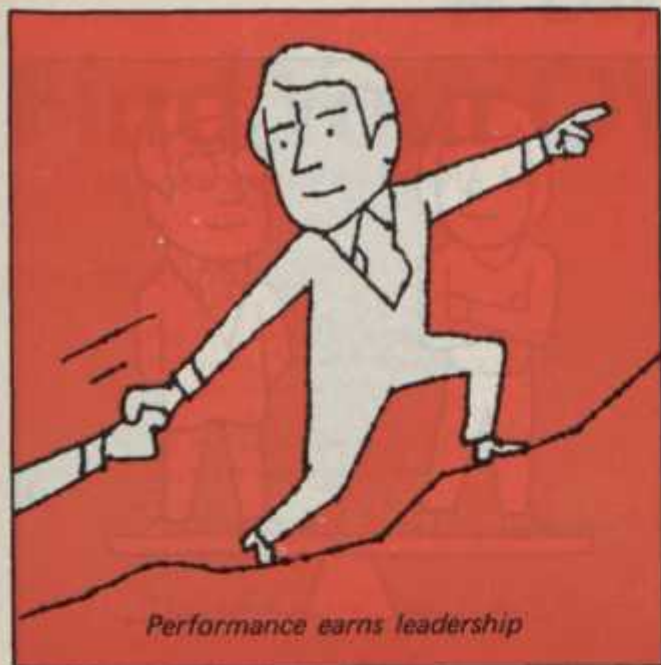
As soon as he knows it himself.

Here's an example. An East Coast tea company got a new president. The company was in financial trouble, so the new leader quickly called in his employees and told them the truth. He asked for ideas on how to pull the company up. He got them. Many suggestions were good, and they were instituted. The company then moved from the red into the black.

That new president was smart enough to know he could never have come up with all the good ideas that he got from his employees.

Another example involves a company president who, when facing trouble, asked his employees to define what they thought company objectives should be. The





plan worked. Once objectives were defined, the troubled company improved.

How should a talented, hardworking vice president be handled when he realizes that he won't make the presidency of the company?

I just went through that with two Indiana University graduates—a vice president of a company, who knows he won't be president, and a company president, who now realizes he won't be made chief executive officer.

I pointed out to each that he has done well already. Both are in the upper four percent of the population in earnings and comforts. They have nothing to be ashamed of.

The main thing to do is to reinforce their egos by pointing up their obvious successes.

What is more productive, psychologically speaking—a fat pay raise for a deserving employee or more frequent, small raises?

The larger raise. It's not a good idea to string out raises and keep employees wondering when more money will come. Employees should not have to ask for raises. If the worker is competent, he should get raises.

I would say the best person in the world to compete against is the fellow who doesn't pay his people enough. His employees will give less than full productivity because they will know they are getting less than full pay.

How should modern managers remotivate disgruntled, but still valuable, employees?

If we had the answer to that, we could write a book. There's always a reason why someone is disgruntled. It's like a blister; irritation is there. Find the reason and remove it. Get the disgruntled employee out of the situation that makes him disgruntled. All sort of things

can make an employee unhappy—even such things as the position of his desk, the fact that one employee works too closely to another employee, or the fact that the employee isn't paid enough.

The leader has to be like a blocking back. You have to take out the problems ahead of your employees. Often, the employee won't take out the problem for himself.

I'll give you an example.

The leader of a foundry wanted more productivity. He asked the foreman why he wasn't getting it. The foreman was disgruntled and said he didn't believe the leader really wanted more productivity. "Why do you think that?" the leader asked.

He was told that, if he really wanted improvements, he would have removed numerous obstacles, such as faults in the tool room, faults with the way orders were written, faults with specifying proper standards. Even some of the machinery wasn't up to the job. The foreman pointed out, and he was right, that these faults could only be corrected by the boss, and the boss had not corrected them. So, he assumed the boss didn't really want better production.

The story had a happy ending. The faults were rectified, the foreman got a bit happier. Production went up.

Is it good, in these days of informality, for the boss to be called by his first name?

I recommend against it. Occasionally, some leaders encourage it. Others don't. Some employees get a feeling of prestige from calling the boss by his first name. You might call it vicarious consumption of prestige. Sometimes, these people only use the first name when the boss isn't around.

Usually, we have respect for a leader if he leads well, so we honor him with mister.

Psychologically, what happens when the leader loses his temper?

He plants uncertainty with his employees. If he does it once, he may do it again. A trait of good leadership is self-control.

Is there psychological value in involving wives in company affairs?

Yes, in the present social environment.

A few years back, only employees went to company conventions. Today, most executives encourage wives to attend. Consultants have told company leaders that it is good to involve wives, because the wives encourage husbands to greater work.

Sometimes, having wives on a business trip isn't good. I've done consultation work for an American company with operations in Australia. Five or six American wives were out there for a while, and they kept lording it over the Australian wives because the American husbands were paid more money than the Australians.

Does it pay for the boss to walk through the shop occasionally?

Yes, if the boss has a worthwhile reason to do so. Many executives do this in order to make themselves

available to answer questions or solve little problems.

There are other leaders who visit the shop just to show the flag. They parade through, and I don't think this is worthwhile at all. These executives think that their mere presence will discourage idleness. Not so.

Should the boss play on the company softball team?

In general, no. Not even if he is a good athlete. He might embarrass himself with the employees by making a bad play.

Look at President Ford. He is a fine athlete, but sometimes he stumbles. If ordinary people did this, nobody would pay any attention. When the leader does it, people do pay attention, and he is downgraded.

Are there problems with teaching in business schools today?

Early in the century, our professors had one foot in the practical business world and one foot in the university. They taught under a mantle of realism. Today, a large number of our professors have had no business experience beyond shopping for their groceries and counting the change. They teach out of books.

Many young professors want to deal in high-level business strategy or theory as though it were a social science.

To me, the schools of journalism, law, education, engineering, and business are professional schools where there has to be some relationship between the instruction and the practical work the student faces on graduation.

Dr. Mee, this is our nation's 200th anniversary year. How do you view the sweep of our history as it relates to business?

Our country has gone through several transitions. We learned from each.

In the early 1600's, we had the settling of Jamestown, the landing of the Pilgrims, the founding of Har-



vard and the College of William and Mary. This showed a commitment to education and to permanence. There was also a commitment to religion from the very beginning.

During the 1700's, we got an enemy—the English monarchical system—and therefore we had another transition. This time, the move was to our own political system. We kept our commitments to education, permanence, and religion, and we added to them our commitment to freedom and to democracy.

In the Civil War period, the late 1800's, and early 1900's, we had a transition which established our modern economic system. We added to that our other commitments. We threw nothing away.

By the time the 1960's arrived, we had far more than our share of many, many material things. We began to pass through another transition. Our attitudes are changing. Our young people ask: "Now, Dad, what are we going to do with all our wealth?" Or they say: "Dad, you have been highly successful, but I don't want your life-style. You have devoted your time to material gains and not enough to social gains."

This transition is toward the equality of man. Will we make the change? Our leaders are called on to explain to our young why it is that, with so much wealth, we still have millions of poor. That's a tough one to explain.

For more than 200 years, our leadership has been good. Now, the time has come for our leaders, our business leaders especially, to understand that we are in the midst of another transition. Our leaders are going to have to meld new social objectives with business and economics.

Times move along. Soon it will be 2000 A. D. I will be up in that great lecture hall in the sky, but I sure would like to know how this transition is going to work out. □

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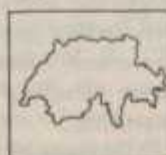
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The Case Against National Economic Planning

BY DR. HERBERT STEIN

How freedom to run your business
will be affected if
centralized economic planning is approved

INTEREST IN PLANNING as a solution for national economic problems is always latent in the United States, like interest in astrology, and for the same reasons.

The persistence of this interest does not reflect any successful experience or convincing analysis, because there has been none. It simply rests on intuition and hope and on continuing faith in the possibility of beating the odds.

Spurred by setbacks

This latent interest in planning comes to the surface from time to time, usually when the economy does not seem to be performing as well as it might.

The poor performance of our economy, beginning in the fall of 1974, heightened interest in planning again. Unemployment was rising sharply and would reach a peak much higher than in any earlier post-war recession. Also, we were still near the highest peacetime inflation rate of our history.

The combination seemed to lend

support to the idea that something different had to be done. As a result, a new drive for national economic planning got under way last year.

There was also a special aspect to the economic situation of 1974—the appearance of shortages on a scale which seemed unusual and which the private market did not foresee or forestall. Energy was the leading case.

One tangible result of this interest was that Congress last year passed a law creating a commission to study material shortages.

This was evidence of a tendency to view the oil problem as representative of the general state of the economy. In addition, it showed a tendency to dismiss the possible role of the free market as a problem-solver, and not to do so after careful thought, but without any comprehension of the issues.

It also showed a tendency of some legislators to enact laws and create new agencies as if the legislators were millionaires passing out \$100 tips at a fancy hotel.

Perhaps of most relevance to the 1975 planning movement is the fact that, although the movement relied heavily on the shortages as an argument for a national economic planning system, the planning proponents gave no recognition of the existence of the commission created to study the problem.

The planning drive was promoted by a private group, the Initiative Committee for National Economic Planning.

Token businessmen

Among the committee members were enough token businessmen to permit the argument to be made that there is nothing radical or antibusiness about the proposal, since it is supported by "leading" businessmen. Such an argument is often wrong, even when the businessmen involved are much more numerous and much more "leading" than in the case of planning.

Members of the Initiative Committee assisted members of congressional staffs in drafting the Balanced



Dr. Stein, a member of the President's Council of Economic Advisers from 1969 to 1974 and chairman of the council from 1972 to 1974, is now a professor of economics at the University of Virginia.

Growth and Economic Planning Act of 1975. The legislation was introduced in the Senate on May 21, 1975, and in the House two weeks later. The best-known sponsors of the bill, which is listed as S. 1795 in the Senate, are Sens. Hubert H. Humphrey (D.-Minn.) and Jacob K. Javits (R.-N. Y.)—which makes it nonpartisan. Hearings have been held on the bill by the Joint Economic Committee.

Similar planning principles are written into a later bill, the equally controversial Full Employment and Balanced Growth Act of 1976. Rep. Augustus F. Hawkins (D.-Calif.) introduced H. R. 50 in the House, and Sen. Humphrey sponsored the same bill, known as S. 50, in the Senate.

Both the Humphrey-Javits bill and the Humphrey-Hawkins bill would institute national economic planning. The basic concepts of both bills are similar. However, S. 1795 spells out in more detail the goals, organization, and procedures envisioned by the latest movement. And while some of the original goals and trappings of the planning advocates

have been submerged in the later bill, the Humphrey-Javits bill remains the most specific picture of the path they would have us take.

S. 1795 would create an Economic Planning Board in the Executive Office of the President. This board would draw up an economic plan to achieve objectives, which it would also establish, with respect to the goals of economic policy.

Goals galore

The board would be charged with "paying particular attention to the attainment of the goals of full employment, price stability, balanced economic growth, an equitable distribution of income, the efficient utilization of both private and public resources, balanced regional and urban development, stable international relations, and meeting essential national needs in transportation, energy, agriculture, raw materials, housing, education, public services, and research and development."

These are only the goals to which particular attention is to be paid.

The plan would be reviewed by a Council on Economic Planning, composed of most of the cabinet-level people in the administration. Thereafter, the President would submit the plan to the Congress. The plan would be referred to the Joint Economic Committee, which would receive and evaluate comments from all the other committees of the Congress. Then, the Joint Economic Committee would report the original or revised plan to the Congress, which would approve, reject, or revise it.

Once a plan is approved, the President would make sure that all the executive agencies act in conformity with the plan. He would also encourage state and local governments and the private sector to conform to the plan. The participation of state and local governments and of private leaders is also to be sought at various stages in the formulation of the plan.

Blank check for planners

To describe the implications of all this with certainty is impossible. The bill is vague or ambiguous at key

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points. It does not tell what objectives are to be sought, but only lists some of the matters for which objectives are to be stated. It does not tell in what detail the plan is to be drafted, or give any other hint as to what the plan would look like—would the plan be more like a 1,000 by 1,000 input-output table or more like a State of the Union message? The bill does not tell how forcefully the President is to "encourage" conformity with the plan.

In a sense, the bill is a blank sheet of paper on which any of a variety of pictures could be drawn. But I think we can estimate pretty well what kind of picture would be drawn. There would be a picture of how the economy should operate, drawn by planners who are confident of their ability to outdo the market, in an environment of public opinion which neither understands nor values the market process very highly. Also, there would be an atmosphere of political competition in promising the economic benefits to be delivered by the government.

Results: more spending

What results would the planning process lead to, if such a bill were passed and taken seriously?

Goals for government policy that do not now exist, or more ambitious goals than now exist, would be increasingly advanced. They would represent the views of the politicized experts who would run the Economic Planning Board, the relevant congressional staffs, and the staffs of the private national organizations that would constitute the advisory layer.

The goals ostensibly would not determine policy, but they would lead policy in the direction of more government spending and more government controls.

Management of the existing economic instruments of government would be increasingly supervised by the Executive Office, to the derogation of the departments and agencies, and would be addressed to the central goals, rather than to the more limited objectives which may have originally led to the creation of the instruments.

First ask, then order

Estimates would be made of required production and investment in some key sectors of the economy—



"So the economy would become more inflationary, less free, and less efficient. . . . The essential point is that comprehensive planning will lead to comprehensive controls."

meaning sectors in which the firms are large, because it is easiest for government to deal with them—and these requirements would be compared with forecasts. The government would try to correct the deficiencies that the comparisons reveal. Initially, it would do this by talking to the firms involved, but increasingly, it would rely on incentives of various kinds in order to achieve the results.

High-pressure goals for employment, growth, and public services would cause more and more inflation, leading to repeated efforts at incomes policies, which would seem more congenial to the system as it became more planned. However, the incomes policies would yield no durable results.

Uncertainties about government

policy increasingly would depress private investment, requiring more and more government incentives to stimulate such investment. At some point, the government would become unwilling to pay private businesses to do what it could order them to do. The system of incentives would yield to the system of command.

So the economy would become more inflationary, less free, and less efficient. Meanwhile, the unemployment problem would not have been solved, because we would not have ended the rise of inflationary expectations which make full employment impossible without intolerable acceleration of inflation. And we would not have solved the problem of shortages, because we would have suppressed the free price movement which, by attracting production and discouraging use, would help to cure shortages.

Planning means controls

The essential point is that comprehensive planning will lead to comprehensive controls. Many proponents of economic planning argue that they merely seek to have the government do better, with more information and foresight, what it is doing already.

In this sense, there can probably be little disagreement with the case for planning.

But the planning bill would direct a government agency to make plans for things the government does not now control to achieve objectives the government does not now have.

This makes no sense, if an extension of the area of government control is not intended. And whether intended or not, extension of the area of government control is almost certain to be the result, because there will be a natural tendency to try to correct deviations of performance from the plan, by controls if necessary.

Making matters worse

There is probably no need to elaborate on the evils that would result from further significant extension of government controls over the economy.

We have a well-developed theory which predicts that a free market system will deliver efficient and expanding production of things the population wants. That prediction has been

brilliantly realized, in our experience.

The other side of this coin, the limited competence of government, even in areas where its responsibility is inescapable, has also been amply demonstrated.

How shall we prevent a greater and greater extension of government controls?

First, we should take actions which will help convince the American people of the merits of the market system.

These actions would be of two kinds. First would be actions to make the market system work better. Second would be actions to demonstrate that advocacy of the market system and opposition to government intervention is not simply a cloak for the protection and subsidization of special, perhaps monopolistic, interests.

With respect to improving the operation of the market system, we have to recognize that, even in the most free market system we can conceive of, the government would have important functions. Performing these functions well is essential to the survival of the free market system. This may seem paradoxical. But as long as the public generally turns to government to solve its problems, we should try to minimize problems, if we want to minimize government.

What government can do

One area in which the government has a clear responsibility is the stabilization of the economy. This is an area in which performance has been poor. It is this poor performance, as much as anything else, which accounts for the current interest in economic planning.

It is continued poor performance which would be most likely to cause a major step toward more controls, in the form of price and wage controls.

I think one can fairly say that much of the economic instability of the past decade was due to the unusual shocks that the economy suffered. One can also say that the inadequacy of our policy responses to those shocks was due in part to public misunderstanding and political shortsightedness. Also, one must attribute part of our failure to the fact that we—specifically, I mean we economists—do not know enough.

For one thing, we do not know enough about the past behavior and

present condition of the economy. Much good work goes on in statistical agencies, in and out of the federal government. But relative to our needs, our economic statistics are inadequate and unreliable.

Needed: better information

The federal government could do a great deal to improve the statistical base with which we all work. It could do less, but still do something, to promote economic research on questions relating to economic stability. I think the federal government should devote more money and effort to each of these fields.

Business's attitude toward the improvement of economic statistics will be important, because business will be the source of much of the needed information.

However, the action needed from business to make acceptance of the free market system probable is much bigger and more important than this attitude toward statistics.

The idea that an economy can be efficiently and equitably organized by the spontaneous interaction of pri-

"Business must not be in the position of opposing all controls except those that it thinks beneficial to business or to some segment of business."

vate individuals is itself difficult to comprehend. It becomes difficult to believe if it seems to imply that 200 million lambs can safely lie down with 500 lions in the form of large, monopolistic corporations.

Competition is the key

And it becomes incredible when the sermon is preached by the lions.

What makes the system legitimate and acceptable is competition. It is competition that makes the system safe for the lambs. There are, of course, arguments that competition sometimes impairs efficiency.

It can also be argued that much of the governmental effort to maintain competition is petty and more dis-

ruptive than useful. One can also maintain that competition will assert itself without the need for government enforcement.

In my opinion, these arguments are insignificant as against the necessity to cling to competition as the element of the system which keeps it from being chaotic and exploitive.

Also, I believe it will be essential for business to take a consistent stand against government planning and controls. Business must not be in the position of opposing all controls except those that it thinks beneficial to business or to some segment of business. The record is not good on this.

Where business errs

Throughout most of our history, for example, businessmen have been the main supporters of government interference with freedom of international trade. There are many similar examples—such as business support of regulation of entry into the transportation and banking industries, the ceilings on interest rates paid, and the wholesale subsidization of the housing industry.

Business is not less consistent and not more guilty of a gap between professed principles and practice than other groups in the society, such as intellectuals, journalists, labor leaders, and politicians.

But the advocates of the free market have a difficult case to make. It is easily represented as being the special pleading of the rich and powerful.

If businessmen are going to carry this banner, they will have to be beyond reproach. □

THIS article is adapted from a paper delivered at a conference on national economic planning held in Washington, D. C., under sponsorship of the Chamber of Commerce of the United States. Reprints of the article are available from Nation's Business. See page 20 for details.

Dr. Stein's paper and papers by other leading economists who participated in the conference have been published by the National Chamber. Order from, and make checks payable to, Chamber of Commerce of the United States, Washington, D. C. 20062. The price of Publication #5182, "National Economic Planning," is \$4.00.

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B8

SIX BIG CHALLENGES BUSINESS WILL FACE IN THE NEXT DECADE

BY DR. NEIL H. JACOBY



Dr. Jacoby, formerly dean of the Graduate School of Management at the University of California, Los Angeles, is now a professor of business economics and policy there.

HOW CAN the manager of a private business cope with the problems of the next decade and take advantage of the opportunities that are on the way?

We are living in a period of transition. Our nation is changing courses. New goals are being set. New policies are being formulated. New institutions are being created. We are on the way to something vastly different in this country from what we have ever seen before.

As an economist who has long been concerned with basic changes in society and the impact of those changes on business, I see six big challenges that are likely to preoccupy American business managers in the next decade.

They are:

1. The challenge of high political turbulence and uncertainty.

The first big challenge to business in these years ahead will be how to operate at a profit in a very turbulent and uncertain political environment.

• The U. S., along with other advanced industrial democracies, will face unprecedented problems of inflation, unemployment, energy supply, environmental improvement, consumerism, and minority rights.

• The country will be striving to reconcile conflicting claims on the national product from organized labor, farmers, stockholders, public employees, and other interest groups.

• An outpouring of college graduates, far exceeding the number of

available jobs requiring a college education, will create widespread frustration among young people.

• Wider unionization of public employees and the professions is apt to result in more confrontations and work stoppages.

• Conflicts among increasingly vocal special-interest groups are multiplying and overloading the political system, which is the established mechanism for resolving conflicts.

• The New York City financial crisis will doubtless be the first of similar episodes.

• The development of the nuclear power industry has almost been halted by the inability of government to reconcile safety and antipollution standards with future energy needs.

Where the fault lies

Our domestic problems, for the most part, do not stand unresolved as the result of ignorance of the alternatives. Rather, our difficulties arise from a lack of will and determination on the part of our leaders, and ourselves, to make hard choices and from the absence of effective processes for reconciling the differences.

In our interdependent society, decisions require trade-offs between conflicting goals, and these trade-offs involve difficult value judgments. In the coming years, the American political system will be severely tested.

And while that test continues, business uncertainties will remain high.

What are the implications for business management of a continued high level of political turbulence and uncertainty?

I suggest that the prudent manager must be prepared for shocks. He must strengthen the financial position of his business against unexpected adversities. He must increase equity capital in relation to debt, improve the ratio of current assets to current liabilities, and keep his credit rating high and his credit lines open.

2. The challenge of slow economic growth.

The second challenge will be how to manage a business successfully in a slow-growth economy.

- In the foreseeable future, the growth of the real national income will average around three percent a year instead of the 3.7 percent achieved during the period of 1941-1969. We must not be misled by the five-to-seven-percent real growth that may occur this year and the next, because these would be unsustainable short-term cyclical upswings from a deep recession.

- U. S. population growth will continue to be slow, as it has been in recent years.

- Productivity gains will be relatively small after the current cyclical upswing has been completed.

- Huge investments will be needed to clean up the environment and to develop domestic supplies of energy. As a result, there will be less capital to invest in technological development and in improved production equipment.

- Since 1968, total government and industry research spending has dropped more than six percent. This has depressing implications for the future development of new industries and new products that are essential to drive the economy forward.

- The shifting of employees from commodity production to services will reduce the potential for gains in the output of goods.

- Traditional growth industries,

such as petroleum, steel, aluminum, and automobiles, will play a relatively diminished role.

- Population and household formation trends indicate that the housing industry will not duplicate for many years the 2.4 million housing starts made in 1972.

Meaning for managers

What are the implications for business management of slow economic growth?

An important one is that the growth and profitability of a particular enterprise in the future will depend more heavily on its capturing a larger share of the market from its competitors; it cannot depend merely on the overall growth of the market. This implies a new emphasis on tight control of costs, highly competitive pricing, constant product improvement, and resourcefulness in developing new marketing techniques.

Stockholders and investors will judge the quality of management more rigorously in the future than they did in the past era of fast growth and inflation, when large annual gains in dollar sales and profits made all managers look good.

Slow economic growth and intense business competition will lead to the failure of more weak firms than in the past. And more enterprises will leave the competitive arena by merger, which means that our traditionally hostile public policy toward mergers will have to be revised. The important social role of mergers in transferring resources to more competent management will need to be recognized.

3. The challenge of expensive capital and credit.

The third challenge will be how to make the most efficient use of capital and credit, which by historical standards will be very expensive.

- There is impressive evidence to show that there will be a strong demand for capital and a relatively weak supply of savings; interest rates will be relatively high.

- Unprecedented sums of money

will be needed to finance high-priority environmental improvements, energy developments, mass transportation systems, urban renewal, and the modernization of our industrial plant.

- Households are likely to save comparatively small fractions of their incomes. The rate of personal savings will be dampened by the relatively large number of Americans in the high-spending age bracket of 20-34 and by the continued liberalization of Social Security and other public benefits.

- The amount of business savings will be depressed by the low level of real profits resulting from the underdepreciation of assets in an age of inflation.

- Assuming that the Federal Reserve authorities keep a firm limit on additions to the supply of money and credit in order to abate inflation, and that there are no material reductions in the taxation of business income, money costs will remain high.

Capital management critical

What are the implications for business management of expensive capital and credit?

With long-term capital costing the average firm 14 percent or more a year, in a projected slow-moving economy of diminishing inflation, many projects that would otherwise be bailed out of trouble by market growth and general inflation will be in trouble.

The economic environment will put a premium on skillful management of capital in the years ahead. In the future, skillful capital budgeting could spell the difference between business survival and oblivion.

Impending high costs of capital could be alleviated by a substantial reduction in the taxation of corporate income. Our federal government taxes corporate income doubly, first when earned by the company, later when taxes are collected on the dividends paid to stockholders.

Most industrialized democracies wholly or in part integrate their corporate and personal income taxes, thus facilitating savings and investment. European countries have substituted value-added taxes for imposts on corporate incomes and have thus gained an advantage in international trade as well.

It is paradoxical that the U. S.,

widely held to be the citadel of capitalism, perpetuates an unwise and inequitable discrimination against corporate enterprise. Business should seek reform and not give up until double taxation is eliminated.

4. The challenge of weakening industrial discipline.

The fourth challenge will be how to step up the productivity of employees, who, in increasing numbers, are inclined to question the work ethic and to challenge traditional industrial discipline.

- Industrial psychologists usually agree that profound changes have taken place in the attitude of many Americans toward authority in general and toward their own jobs in particular. [See "Understanding the Attitudes of Today's Employees," page 22.]

- Behavioral scientists criticize working conditions in business. Some assert that jobs in the plant and in the office are monotonous and dehumanizing. Others contend that business organizations are authoritarian and deny employees the opportunity to participate in decisions affecting their well-being. Still others hold that new structures and methods are needed to identify the aspirations of the workers more closely with those of the firm.

Managing tomorrow's workers

What are the implications for business management of a weakening of industrial discipline?

Managers will be wise to devote more attention to the design of jobs, to the creation of machinery for more worker participation, and to the provision of incentives at all levels.

Flexible daily working schedules, flexible vacations, and joint worker-supervisor committees to discuss ways to achieve production goals will be in order.

Incorporation of a wider range of varied tasks can be one way to reduce monotony. Delegation of more authority to subordinate managers can be an effective approach.

More companies should introduce

stock bonus and stock purchase plans for their lower-level employees, thus spurring productivity while at the same time broadening the ownership base of the enterprise.

Jobs for youths

Unemployment today is primarily a problem of the young. Nearly half of the unemployed are 16 to 24 years of age. This is due, first, to a mismatch between the labor skills demanded in the economy and those possessed by the young people; second, to contemporary social policies and attitudes that make leisure more attractive than working at the jobs and at the pay rates available.

It is a shocking fact that, in some states, up to 40 percent of high school graduates are functionally illiterate. They cannot read or write well enough to function effectively as workers or consumers.

Vocational skills must be more widely taught. Apprenticeship and work-study programs must be made more widely available. Youth counseling programs must be stronger. Better information on the labor markets is needed to improve the efficiency of job searches. Light public work programs should be inaugurated along the lines of the former Civilian Conservation Corps.

Above all, youth should be exempted from the operation of the minimum wage law until these young workers acquire the skills and discipline that make them productive. This step alone could put on payrolls up to half a million youths who are denied employment by a perverse wage-hour law. Equally important, this one step could take idle youth off the streets and reduce crime by a significant margin.

5. The challenge of rising public demands and governmental regulation.

The fifth big challenge will be how to respond to the rising demands of consumers, environmentalists, and

civil-righters, and to the thickening network of governmental regulations which their demands will bring into being.

- Formerly passive, unorganized interest groups have become highly organized and strident in their demands for detailed governmental regulation of business.

- Public regulation has permeated every aspect of business, including product design, production methods, employment practices, warranties, marketing, and financing.

- Compliance with governmental regulations is generating mountains of costly paperwork. New legal developments such as the Freedom of Information Act, class-action suits, and federally subsidized public-interest law firms have multiplied the volume of litigation to the point where society is now "clogged with legal pollution," to use the words of former Stanford Law School Dean Thomas Ehrlich.

- The high cost of overregulation includes more than the salaries of the bureaucrats who administer the laws. It also includes the value of the time of the people who must comply with the laws and with the delays and uncertainties which these regulations introduce in business.

Burden of regulation

What are the implications for business management of rising public demands and governmental regulations?

Proliferating regulations, the costs of which exceed the benefits, are a serious drag on the productivity of the U. S. economy. The time has come, therefore, to allow competitive markets to play a more important role in the regulation of business in this country.

The rush to regulation by government bureaucracy and the retreat from market regulation reflects a widespread feeling that competition is not effective in many sectors of the economy. The foundation for this belief is that the theoretical model of perfect competition taught in economics courses is held to be the ideal. This theoretical model, of course, is something that is never found in the real world and which we would reject if it were.

Contemporary competition is a complex dynamic process involving many variables. Yet, the evidence



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shows that this process is generally effective.

Once contemporary competition is seen in its true light to be an effective regulator of business behavior, perhaps Congress will be willing to dismantle some of the nonessential regulation which is now slowing the progress of our economy. Meanwhile, every substantial business firm should establish channels of communication with those groups in society that affect it.

The company should build feedback channels into its organization so as to evaluate and act upon information acquired.

Every substantial business firm should maintain a "social account" of its contributions to the improvement of the quality of life. And it should publish an annual "social report," supplementing its standard financial report.

6. The challenge to the legitimacy of profit-seeking enterprise.

The sixth big challenge and the most basic one to business in the years ahead will be how to reestablish, in the public mind, the conviction that profit-seeking enterprises competing in the open markets provide the most efficient way to satisfy the wants of consumers and that economic freedoms are a bulwark to our political freedoms.

Only out of such understanding and conviction on the part of the general public will emerge the national policies that are needed to energize and to preserve the American competitive enterprise system.

• Few people in our society now believe in centrally planned socialism, for the simple reason that few people are impressed by what socialism has achieved for the communist countries.

• The market economy is not imperiled by revolution but by attrition from neglect. The threat is that the spirit of enterprise will be stifled by overregulation and overtaxation, with the government extending octopus-

like tentacles more and more widely over economic processes.

What are the implications for business management of the growing threat that the spirit of enterprise will be stifled in America?

More economic literacy

To begin with, a wider popular understanding of the competitive enterprise system must be created so as to generate support of policies that will invigorate the competitive enterprise system.

One necessary step is to elevate the level of economic literacy in this country by making basic economics a required subject of study in the public schools.

The function of public education is to prepare youth for the rights and responsibilities of citizenship. Thus, education of youth in the underlying principles of the market economy and of the democratic political system should be the central task of the school system. These subjects have been almost universally neglected. As a consequence, national surveys reveal an incredible public ignorance of elementary economic facts and concepts.

Role of business leaders

Businessmen must take the leadership in a national effort to introduce basic economics in the curricula of their local schools. The assault on economic illiteracy will be demanding, and success in the struggle will come only slowly.

This is all the more reason to begin the effort now.

The six big challenges to business in the next decade, political turbulence, slow economic growth, expensive capital, weakening of industrial discipline, increasing governmental regulation, the attack on profit-making, all boil down to a single problem: How to create public understanding of the American incentive system and a conviction that it is the best economic system for our society.

Businessmen will have to help solve this problem, the sooner the better. ☐

This article is based on a speech at the 30th annual business conference of the Indiana University School of Business. Reprints of the article are available from Nation's Business. See page 20 for details.

Why did Schlitz barrel into Memphis?

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LETTERS TO THE EDITOR

Congressmen and Pensions

All of the senators and representatives you quoted in "Why So Many Congressmen Are Calling It Quits" [June] ignored, for the most part, the fact that they are going to live like kings for the rest of their lives on government pensions.

I strongly suspect the true reason so many members are leaving Congress is the availability of the tremendous goodies they have voted themselves in the form of those pensions, which are increased four percent for every three percent increase in the cost of living.

I do appreciate the fact that the article brought out the details of the pension benefits in the case of former Congressman Hastings Keith of Massachusetts.

EARL L. FESTER
President
MD Pneumatics, Inc.
Springfield, Mo.

The members who are leaving Congress will be joining the rest of us in the jungle of dumb laws they have legislated in the past few years. It will be interesting to see how they fare in the real world outside of Washington.

ROY NELSON
Vice President/General Manager
Mail-Well Envelope Co.
Houston, Texas

Your article should have expressed these real views of members leaving Congress: "I am discouraged and fed up. Since I was clever enough to vote myself a retirement program that improves my financial position vs. inflation, I will retire now and get in on those pension goodies before the American people wake up and force a change in my retirement plan."

You have been conned. We have been had.

CHARLES W. CLARK
Berea, Ohio

Making OSHA more effective

The Occupational Safety and Health Administration's plans for achieving greater effectiveness are discussed in your article, "OSHA's New Focus: The Health of Your Employees" [May].

I believe I am qualified to offer some additional recommendations. I was an industrial safety inspector for the New York State Department of Labor from 1970 to 1975 and a manufacturing engineer most of my earlier working life.

If OSHA is to achieve maximum effectiveness within a reasonable budget, it must:

- Concede that the majority of employers are strongly motivated to maintain the safest and healthiest working conditions possible, within the economic limitations of their business.

- Recognize that OSHA's performance cannot be measured in terms of total fines assessed and that penalties and prosecutions are evidence only of OSHA's failure to achieve its goals.

- Devise practical and economical methods of eliminating hazards.

- Codify all regulation in simple language without sacrificing specificity.

- Include with every regulation a description of adequate methods of compliance.

- Require that compliance inspectors have both industrial experience and engineering ability so they can realistically evaluate existing safety devices.

- Authorize compliance officers immediately to provide employers with a list of any hazards found, to describe what remedial steps are necessary, to evaluate alternative suggestions from the employer, and finally to reach a mutually satisfactory agreement on what should be done.

- Allow a realistic amount of time, depending on the level of risk, for abating hazards.

- Turn over to the courts and due process of law the job of levying monetary penalties for noncompliance.

- Revise the image of the OSHA inspector from that of badge-happy cop to that of competent adviser.

JOHN J. RYAN
Locust Valley, N. Y.

Saving small business

As Georgia's Small Businessman of the Year, I have visited extensively with my fellow entrepreneurs throughout the state. Their reports on what government regulatory agencies are doing to small business horrified me.

Unless there is some relief, small business will go the way of the dinosaur. Government regulations force price increases that must be passed on to the consumer. The paperwork alone is enough to drive most small businessmen into bankruptcy.

We need assistance.

JOE K. MCCUTCHEN, JR.
President
Universal Carpets, Inc.
Ellijay, Ga.

Salute to Memphis

Your "Bicentennial Salute" to Memphis [June] was delightful, but I can't let one slipup go unnoticed.

You mentioned that "institutions of higher learning include Memphis State University and LeMoyne-Owen College."

Two other institutions, Christian Brothers College and Southwestern

at Memphis, contribute greatly to Memphis's growth.

As a new and enthusiastic Memphian, I appreciate your salute to the "City of Optimism," but as a Southwestern student, I am disappointed you left us out.

STEPHEN COLLINS
Memphis, Tenn.

[Editor's Note: Memphis State University and LeMoyne-Owen College were mentioned in the article only as examples of the wide variety of higher educational institutions in Memphis. There was no intent to rank them above the many other local schools not described individually because of space limitations.]

Crime in the capital

I have traveled in many parts of the world, but the only place where I have been warned about being on the streets at night is our own national capital, Washington, D. C.

My wife and I were told that people out after dark take a risk of becoming victims of crime.

It was quite an introduction to our seat of government. Is this the impression we give to diplomats and

visitors from our own and other countries who come to Washington?

We can send a man to the moon and organize in a matter of weeks the greatest fighting force the world has ever seen. In fact, there is nothing the American people cannot do if they make up their minds. Why, then, can we not make Washington a safe place to visit and live in?

Let's set a bicentennial goal for ourselves: Make our national capital free of crime.

DAVID H. FISHER
Fisher, Patterson, Sayler & Smith
Attorneys at Law
Topeka, Kans.

Influencing the future

Let me express my appreciation for the effectiveness of your magazine and of the National Chamber in representing the business viewpoint. This is an important time in the history of our country, when the future is in the balance, and opposing forces within and without government will influence the results for good or evil.

J. T. VAN VOORHIS
President
Barnes & Brass Co.
Clarksburg, W. Va.



"That's a Butler building?"

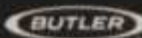
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Defying Tradition and Achieving Success

With imagination and vigor,
architect John Portman
helps breathe new life
into downtowns. To do so, he
has become a hard-nosed businessman

WHEN HE WAS a youngster growing up in Atlanta, John Portman worked as chief usher at the old Roxy Theater on Peachtree Street.

On that site today is the tallest hotel in the world, the cylindrical, 70-story Peachtree Center Plaza Hotel, which opened its doors in January.

In its shadows is the Merchandise Mart, one of the largest buildings in the South. Nearby are five office towers and one of the country's most talked-about modern architectural creations, the flamboyant Hyatt Regency Atlanta hotel.

All were conceived, designed, and built by John Calvin Portman, Jr., a man with a deep commitment to breathe new life into lackluster American downtowns.

In Detroit, he was handpicked by Henry Ford II to draw up a grand plan for transforming a seedy waterfront area into a \$500 million Renaissance

Center. Work on the center, in which many businesses have invested, is under way.

In San Francisco, working with David Rockefeller, he helped develop the \$200 million Embarcadero Center along the harbor front.

In Brussels, he built a \$16 million international trade mart which the king of Belgium cited in proclaiming the Georgia architect an officer in the Royal Belgian Order of the Crown.

At 51, John Portman has established himself as one of the foremost as well as one of the most controversial architect-developers in the nation. Descriptions of his creations range from vulgar and flashy to brilliant and breathtaking.

Learning the hard way

Mr. Portman has not been bound by convention. Early in his career, he decided he didn't have the patience to wait ten or 20 years to earn an architectural reputation which would give him the freedom he needed to translate into substance some of the ideas swimming about his head.

So, in 1954, a year after he got his

architect's license, John Portman raised money, bought a piece of land in Atlanta, and built a medical office building. It was an architectural success, winning him an award. And it was a financial bust; he lost \$7,500 on the project.

The experience helped Mr. Portman, who had known far more about architecture than the financial side of construction, to fill in gaps in his knowledge.

Since then, he has been a notable financial success, controlling most of the building projects in which he has been involved. Now a millionaire, he owns and runs the Atlanta firm of John Portman & Associates, architects and engineers, and Portman Properties, a real estate development firm. Within the framework of these two businesses, which employ 139 people, he serves only as architect on some projects, designs and participates in development of others, and conceives, designs, and totally finances others.

He estimates he currently has half a billion dollars in construction projects under way. Mr. Portman believes

Architect John Portman and his 70-story Peachtree Center Plaza Hotel in Atlanta.



A striking example of John Portman architecture is the Hyatt Regency San Francisco, an 800-room hotel which opened in 1974. The lobby is eye-catching not only for its openness but also for American sculptor Robert Perry's "Eclipse." The hotel is in the Embarcadero Center complex built by Mr. Portman.

A PORTMAN SAMPLER



more architects will have to enter the development field, becoming hard-nosed businessmen, if they are to have the impact on American architecture that they want to have.

Widespread recognition came to John Portman with the opening of the Hyatt Regency in 1967. The building was acclaimed nationally and internationally as a new breath of freshness in architecture.

A place for people

To Mr. Portman, the Regency, with its cavernous lobby extending up the entire 21 floors of the hotel and with its exposed, space-age elevators, means something more than architectural accomplishment. It means a place for people to enjoy people. The people theme is prominent in all his architecture.

"If we don't create an environment that the people love—and I mean all the people—then I don't think we're really doing our job," he says.

A showpiece of Portman architecture is his home on a hill overlooking downtown Atlanta. His friends say: "He built the house to see the skyline; then he built the skyline."

Among other things, the home features a brook running through the dining room, carrying out a favorite Portman theme of water—fountains, waterfalls, ponds—which figures in many of his designs.

Mr. Portman is planning to turn his home into an art museum when the youngest of the Portmans' six children—who is now 14—is grown.

In his office, high atop his \$200 million Peachtree Center development, he tells a NATION'S BUSINESS editor how he has melded architecture and entrepreneurship into a highly successful business enterprise.

Mr. Portman, how did you happen to become an architect?

It goes back to junior high school in Atlanta. In those days we had to take a series of shops—mechanical drawing, woodworking, print shop, metal shop, electrical shop—or you couldn't graduate into high school. I had completed all of them except mechanical drawing. As a teenager, I was very active physically, and sitting over a drawing board wasn't for me. So I put mechanical drawing off until the very last.

When I finally had to face up to mechanical drawing, I discovered I really enjoyed it. At that time, we had two high schools in Atlanta—Boys' High, more or less a college preparatory school, and Tech High, principally a school with a lot of shops to train kids who were not going to college.

Well, I went to the principal of Tech High and told him if he would allow me to take three years of drawing—architectural work—I wanted to go to his school. Of course, I would have to take the college prep courses, which were available at Tech High, but I wasn't interested in all those other shops.

The principal said: "Young man, if you know at this age what you want to do, I am not going to stand in your way." By then, I knew I wanted to be an architect.

Did you like to build things as a youngster?

Yes. Model airplanes. All kinds of things.

Did buildings appeal to you?

I used to spend a lot of time look-



The Los Angeles Bonaventure Hotel, scheduled for completion next year, represents a \$100 million investment in downtown Los Angeles. Mr. Portman was both designer and developer of the property.

John Portman is not bound by traditional architectural forms in his design of buildings, as the Fort Worth National Bank Building in Fort Worth, Texas, so clearly illustrates.

ing at buildings under construction.

What were your other interests?

Well, art. In school, I was always doing murals and other displays for school affairs.

You were in the Naval Academy for a while?

Yes. I went from high school to the navy. That was 1943. A friend talked me into taking examinations with him for the academy, even though I really wasn't interested. I took the test and breezed through it. To make a long story short, I won the academy appointment and he didn't.

How long were you at the academy?

Only until the war ended. I had no interest in a naval career in peacetime. As soon as I was discharged from the service, I enrolled at Georgia Tech's School of Architecture. I graduated in 1950.

That ended your education?

Of course, in any type of career, schooling is just the beginning of education. Life is a continuing educational process. I think it's a constant

curiosity, a constant searching. To be successful, you must show great perseverance in what you are doing. And, most important, you must enjoy what you are doing. You can work hard, but if you don't enjoy it, you ought not to do it.

How did you launch your architectural career?

After a three-year apprenticeship, I got my license and opened a one-man office. Eventually, I was able to hire a draftsman—John Street, who, incidentally, is still one of my associates. He was a fortunate choice, because he was not only a good draftsman but he had a portable typewriter and was a good typist. He could handle the one letter a month that we had to get out.

When did you start combining development with architecture?

Almost from the beginning. Normally, in architecture, it takes a long time for a young architect to get started. It's a slow, tedious process getting recognition, and, frankly, I was too impatient to wait.

Since architectural fees are gen-

erally the same, most people select an architect on the basis of confidence. Of course, building a reputation takes years. I figured I had to find a quicker way.

So I started taking an interest in real estate. Obviously, you need a piece of land before you can build a building. I came to the conclusion that if I could get the land and come up with the idea for a project and design it, then I could go after the financing.

What was your first project as an architect-developer?

A medical building, on which I lost money which I could hardly afford to lose. I had relied on an outsider who I thought knew a lot about real estate and financing. That mistake convinced me I had to learn every aspect of the business if I was to control my own destiny and not rely on outsiders.

Was this a new idea—taking on the development as well as the design?

I was among the first of the architects to do this, yes.

What did your fellow architects in

Atlanta have to say about a young man breaking new ground like this?

The general attitude was that I had great potential and great talent, but also that I was selling out for the dollar, prostituting the talent I had.

How did you answer this?

That they didn't understand what I was trying to achieve. A lot of them still don't. Today, the American Institute of Architects is trying to get the profession to broaden its base, to get into the whole process. Some architects lack the ability to appreciate economics and finance.

Mr. Portman, you seem to be big on cylindrical design. Why?

I am not big on squares, rectangles, cylinders, cubes, or what have you. I am not prejudiced toward any form or shape. Each problem has to be faced with an open mind.

How did you happen to come up with a cylindrical design for the 70-story Peachtree Center Plaza Hotel?

Our feasibility studies told us we had to have at least a 1,000 to 1,200-room convention hotel to justify the project. The land we had was not big enough to build such a hotel on in the ordinary fashion and provide open space for people.

So we decided on the most efficient container for the rooms section of the hotel. Using the cylindrical shape, you wind up with pie-shaped rooms where the narrow part is used for the entry and bath and the open area is used for living. You also have a minimum of corridor space to traverse to get to each of the rooms.

Water seems to play a big role in many of your designs. Why?

It is an ingredient of my design philosophy. A building is not for a particular class of people. It sits out in the public, and it should serve everybody. Now, that is a pretty big order. So we have tried to isolate things the human being has within him that produce innate reactions to environmental conditions.

If it is innate, since we are all creatures of nature, then nature plays a big part in it. Consequently, I use water in lake form, in fountain form, in brook form. I use water in all kinds of ways, because the human being has a natural affinity for it.



Taking his turn at a worktable, Mr. Portman shares a problem with model designers Fey Lau (left) and Charlie Prince. The noted architect has a policy of circulating among his staff rather than having them come to his office. He says: "I work with people; people don't work for me."

The common denominator to all buildings is people. We try to invoke a pleasant response in people.

When you designed the Hyatt Regency, were you concerned that it would be considered too radical?

I have never been concerned that anything would be too radical. If you are hung up with a lot of prejudices, you are not going to do a very good job.

Was space your major goal in designing the Regency?

No. I was trying to create a new kind of environment for people. Space happened to be an end result of that.

What is the typical hotel in a central city today? It is a slab building with cramped quarters, a small lobby, and a newsstand in one corner and a little bar-lounge in another. You enter a closed elevator car to go to your room, come out in a dimly lit corridor, and walk to your room,

where there is a hole in the outside for a window. In the room, there is a bed, a chair, a table. And that's the hotel.

So I started dwelling on opening everything up.

Is it true that Conrad Hilton turned down the hotel when it was offered to him?

Yes. The hotel was about four stories up at the time. I gave a luncheon on the terrace of the Merchandise Mart, overlooking the site. All the people who had invested in the hotel were there, along with Mr. Hilton. He gestured toward the hotel site and said: "That concrete monster will never fly."

I thought some of my investors would jump over the side. Here was the dean of the hotel industry calling my hotel a concrete monster. From that point on, the investors couldn't get rid of the hotel fast enough.

Was Mr. Hilton critical of the architecture?

It's still a jungle out there . . . and business as usual is no way to run a business.

How to protect yourself against the danger of climbing sales.

Remember . . . a sale isn't a sale until you get paid.

When good times start to roll, and opportunities pop up all around, sales and production often take such commanding effort that getting paid may tend to be regarded as more or less routine.

And yet statistics prove otherwise—many a company has taken a real beating on uncollectible receivables. Even in the best of times. And present times, while better, aren't best.

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Data from the Insurance Information Institute shows just how vulnerable business is to accounts receivable losses. You wouldn't think of doing business without fire insurance protection. And liabilities of business failures exceeded fire losses in 1975! Doesn't it make sense to protect yourself against another form of loss—one that could set you back, or even wipe you out, as surely as a fire?

The dangers are real. Don't ignore them.

You should be especially wary if your sales fit one of the following high-risk expansion areas:

1. If sales are concentrated among a handful of large accounts, the inability of only one to pay could be fatal to your firm.
2. If the bulk of your sales are concentrated in just one or two seasons a year, something unexpected like a sudden shift in buying trends, a change in the weather, or other unpleasant surprises could ruin you.
3. If your sales are concentrated in a particular geographic area or a specific industry, beware—as a major supplier, your sales could drop drastically if changing econo-

mics suddenly dump this specialized business area into deep decline.

4. If you tailor products to customer order, your risk is both earlier and greater.



How to expand sales without risking serious credit losses.

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
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A lot of people didn't understand it, and he was one of them. All he saw was the concrete.

Later, when the hotel was finished, people reacted as you expected?

Not precisely. I expected the hotel to be well-received. I did not anticipate the excitement it caused. The public lined up for blocks to see it.

What is the way to save downtowns?

The effort must be more than physical. It must be political and social, too—a lot of things. Our cities have grown faster than the old cities of Europe. We have had no coordination.

One problem is that individual companies have made individual decisions for individual reasons. A banker, say, buys a piece of land and builds. He doesn't concern himself with the impact on the rest of the community or even right across the street.

At my firms, we are trying to figure out how we can create a new environment, changing the existing infrastructure of the city with the needs of people in mind. That is really what we are selling.

Are you saying that European cities meet people's needs more than American cities do?

Two things have hurt the American city more than anything else—the automobile and television.

Look at the American male. He comes home after work, kicks off his shoes, gets a can of beer, and watches television. As a rule, he doesn't go out at night. He doesn't visit friends the way he did before. TV has caused an abandonment of night life. You try to develop theater and you can't get people to attend. This is not the case in Europe.

Because of the great mobility the automobile has given Americans, we have tended to build up special purpose areas. The downtown office building is a good example; it's not for living.

In Europe, everything is mixed. They have their shopping on one floor, their offices on another, and their homes upstairs. This maintains the vitality of the city around the clock. One of the greatest social events in Europe, as you know, is going to the little sidewalk cafe where people drink their coffee, tea,

or wine, and socialize by the hour.

Is it true that much of your design inspiration comes from three things—these sidewalk cafes; Tivoli Gardens, the Copenhagen amusement center and park; and the old southern front porch?

That's true in a sense. They all involve people enjoying one another and the things going on around them. Over the years, I've studied people to try to understand what makes them tick. It all comes back to one thing—people enjoy looking at other people. So, in public places, I try to create situations where people can sit and enjoy themselves and watch other people.

So people keep running through your mind as you contemplate each new project?

Yes. All too often in architecture, we have a situation where the banker, building a new bank, and the religious order, building a new church, are motivated by solving individual problems. They are concerned with taking care of physical needs; they are not concerned with the interaction of people.

Our approach is this: All right, we have to satisfy the individual problem, but let's also create something that satisfies the needs of the people at the same time.

Of all the projects you have designed, which is your favorite?

That's like asking me which of my six children I'm most proud of. I can't answer that question.

Well, then, what single piece of architecture in the United States appeals to you most?

I would have to say the Guggenheim Museum in New York City. Here again, you come back to people. You have this huge space in the center of the museum with a spiral exhibit around the space. In so many museums, you walk from one compartment to another, and the museums become monotonous regardless of the quality of the exhibits. In the Guggenheim, people return again and again to that huge interior space. This is people interacting with people.

Historically, what architectural periods have been good?

Any architecture that is an honest reflection of the society and technology of its era is good. You must remember that architecture is more than something to look at. Architecture is an experience—an experience you might get from eating in it, sleeping in it, or dancing in it.

What role, if any, do you assign business in easing urban problems, other than putting up new buildings in central sections of cities?

A major role, of course. I believe the private enterprise system, to preserve its freedom, should, through its own enlightened self-interest, involve itself deeply in these problems. The Renaissance Center in downtown Detroit is a perfect example. Henry Ford, who is spearheading the project, has certainly not become involved only because of the prospects of making a profit. That project is an example of private enterprise pooling strengths to solve a major problem.

New York City is the opposite example. Because of the major companies and institutions in New York City, there is more wealth there than in any other city in the country. But the companies sit off in their little shells by themselves, making decisions based on their own business interests. Some of them say: "Well, our responsibility is to our stockholders. We have to make a profit for the stockholders."

I think their responsibility is more than that. If a company helps maintain the health of a community, that company is going to benefit.

Let's talk about how you run your own business. You don't operate from an organizational chart?

That's right. We function as teams. I have a staff of assistants, and that includes lawyers, finance people, real estate people, public relations people, and so on. In addition, there are various entities, each with an operating head. For example, in the architectural engineering division, we have various teams. I work with each, from the design concept right on up through completion of a project. I move from team to team as we go along.

Does that mean, for example, that if you're designing and building a hotel, you assign a team at the beginning which carries the job through?

No. We may start out with one man. Then, as we progress, we bring in more and more people who take pieces of the project.

Do you still take a turn at the drawing table?

Absolutely—every day that I'm in town. I don't have a drawing table that is mine exclusively. I move from team to team and sit down at everybody else's drawing table.

What would you consider ingredients of good management in your business?

Getting good people and giving them responsibility and clear-cut lines of action.

How do you motivate people?

Primarily through example and by showing my interest in them. My people don't come to me, I go to them. There are reasons for that. I can go into somebody's office quickly, cover what I have to cover, leave, and go to the next office. I don't believe in the old-fashioned idea of everybody coming to the boss's office. Otherwise, they would be lined up outside waiting to get in.

Does that keep your people jittery, never knowing when the boss is coming around?

No. My visits are very informal. I work with people; people don't work for me. We have no titles in my companies—no presidents, no executive vice presidents, or this or that.

I work all day on Saturday, by the way. These are my best days, because I am not bugged with telephones and visitors. But I never ask my people to come in on Saturdays.

Do they?

Yes, but not because I'm here. They are simply interested in what they're doing, because they enjoy their work. They don't come in to impress me, because things like that don't impress me.

You have to create enthusiasm in a company. Your people have to know that you are sensitive to them and that you have compassion for them. But they must know also that you are interested in excellence. All these things you can accomplish through leadership.

Is every design that comes out of your offices a Portman design?

Yes. I set the framework. We have very talented people who understand that framework.

Within it, there is great room for creative contribution.

How do you relax?

Primarily, by reading. I am a voracious reader—philosophical subjects, architectural things. I have developed my own library here, and everything new that comes in comes across my desk.

Are you interested in art?

Very much. I am surrounded by art, here and at home. I recently went to Scandinavia to buy tapestries and sculpture for the new hotel. That was ten days of sheer enjoyment.

What do you consider the most satisfying experience in your business life?

Seeing that the people I employ are happy.

Do you perceive a common trait in successful executives?

Yes, they are all decisive.

How do you make decisions?

Very easily.

What do you draw on?

Everything I have at hand, but I try to get to the essence of whatever the problem happens to be and not get lost on the sidelines.

What new worlds are left for you to conquer? What is your ultimate ambition?

I have never thought about an ultimate ambition, because the ultimate means that you have topped out, reached the end. I don't think in such terms.

If a man becomes satisfied, he is finished. I have never done anything I was completely pleased with. I am always looking to see how I can improve. □

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What the New Election Law Says You Can Do

CORPORATIONS can now operate less freely in the political arena than they could a few months ago, but there is still much they can do.

A new law on financing federal election campaigns curbs the activities of corporate political action committees. However, the basic and longstanding right of a corporation to establish such a committee to raise funds for designated political candidates remains intact.

The new campaign financing law was enacted by Congress in May to replace a statute ruled unconstitutional in part by the Supreme Court in March.

During congressional deliberations on the substitute legislation, organized labor and its allies were prime movers in an attempt to undercut the effectiveness of corporate PAC's.

Labor was successful in some but by no means all of its antibusiness maneuvers.

The basic machinery for forming a PAC remains unchanged. [See "What You Can Do Now to Support Candidates," *NATION'S BUSINESS*, January, 1976.]

Less freedom with workers

Here are some key changes concerning the corporate political action committee:

A corporate PAC's authority to seek political contributions from rank-and-file workers on the same basis as managerial personnel and shareholders has been abolished.

The PAC may send two written solicitations per calendar year to rank-and-file workers. Mail must be

addressed to their homes. Provision must be made for workers not contributing, or contributing less than \$50, to remain anonymous. Drafters of the new legislation suggest that one way to ensure anonymity for workers would be to engage an independent third party who would receive return mail, keep records, and identify to the PAC only individuals who make a single contribution of \$50 or more or make multiple contributions totaling more than \$100.

General solicitations—not limited to written communications or as to time or place—now may be made only to shareholders and to executive or administrative personnel, defined as those who are salaried and have policymaking, managerial, professional, or supervisory responsibilities. Foremen are not considered to be in those categories.

Labor is limited, too

A labor union PAC may make general solicitations only among the union's membership. A union PAC may make two written solicitations per calendar year to a company's shareholders, executive and administrative personnel, and nonunion, hourly-paid workers. The same conditions are imposed on a union group for these written solicitations as are imposed on a corporate PAC when it solicits rank-and-file workers.

The rules on solicitations by business or labor also cover members of the families of shareholders, managers, or workers.

Anyone soliciting an employee for a contribution must inform the em-

ployee of the political purposes of the PAC. Also, the solicitor must inform each employee of his or her right to refuse to contribute without being subject to reprisal.

A corporation that uses a checkoff system to deduct contributions to a corporate PAC must make that service available to a labor organization on written request.

Corporations must provide unions with names and addresses of shareholders, management, and nonunion personnel for labor's solicitation of those groups. If the corporation does not want to make that information available to the union, an independent mailing service must be retained to mail solicitation letters and forms on behalf of the corporation and the union. If several different unions bargain with a single corporation, those unions are entitled only to a joint mailing twice a year to shareholders and managers.

Ceilings for individuals

The ceiling on an individual's contribution to a PAC in one calendar year has been reduced from a maximum of \$25,000 to \$5,000. In addition, there is a \$20,000 maximum on an individual's total contributions to the parties' national committees and a \$1,000 maximum on an individual's contributions to any one candidate in each election. An individual's total political contributions in a year may not exceed \$25,000.

There is now a \$5,000 limit on what one PAC may contribute to another. There was no limit previously.

While a corporation might have several PAC's among its subsidiaries, branches, and divisions, their total contributions to a single candidate cannot exceed \$5,000, regardless of whether the different PAC's function independently. There is a similar restriction on union locals.

A PAC is now limited to \$15,000 a year in contributions to the parties' national committees and to \$5,000 per year to just one other political committee.

The new law spells out that a trade association PAC may solicit contributions from a member corporation's shareholders and executive or admin-

istrative personnel, and their families, but only upon approval of that corporation. The corporation may not approve such solicitation by more than one trade association within one calendar year.

Cooperatives, incorporated organizations without capital stock, and other membership organizations have been specifically added to the law as entities which may set up PAC's.

Certain new restrictions have been placed on nonpartisan political expenditures by corporations and trade associations, but their exact application is not yet clear, experts on the campaign financing statute report.

No threats or force

The new law contains a declaration, similar to that in the statute considered by the Supreme Court, making it illegal for a PAC to spend or give candidates "money or anything of value" secured by actual or threatened physical force, job discrimination, or financial reprisals. Also, PAC's cannot spend or give money obtained from commercial transactions or from payments "required as a condition of membership in a labor organization."

Commenting on the new law, the Chamber of Commerce of the United States notes that "there is wide recognition that the amendments are extremely complex" and adds that "various provisions are undoubtedly of questionable constitutionality."

At the same time, the National Chamber says:

"Despite the newly created complexities . . . businessmen, firms, and their trade and professional organizations should note that important basic areas of participation in the political process remain permissible."

A total of 278 corporate PAC's were registered with the Federal Election Commission as of May 18. Of that total, 97 had been formed since March 1, an indication of the upsurge in business interest in taking an active role in the political process.

REPRINTS of this article are available from Nation's Business. See page 20 for details.

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SAN JOSE

A City With the Future in Focus

DO YOU KNOW which is the fourth largest city in California?

Do you know which city in California was once known as the prune capital of the world?

Do you know which city led California in industrial building permits in 1975 and was No. 2 in the nation?

You don't?

The answer to all three questions is San Jose, a growing metropolis just 48 miles south of San Francisco.

"I suppose our biggest need is a national identity," sighs P. Anthony Ridder, youthful general manager of the "San Jose Mercury," the city's morning newspaper, and the afternoon "San Jose News." He adds: "No one really knows what we are."

San Jose's goal

What San Jose is, one year before it celebrates its own bicentennial, is a city going full gallop toward the goal of becoming the economic center of northern California.

"I don't see how we can miss," says James P. Misco, a senior vice president of the Bank of America, who is the bank's administrator for a 100-branch area that stretches southward from Palo Alto and San Jose to just north of Santa Barbara.

"You have an excellent climate for business here; you have the land on which to build, and the banks are full of money available for loans for good projects. There is no shortage of capital, short-range, medium-range, or long-range."

If San Jose has an identity problem, that has not affected its growth.

In two and a half decades, the city's population has exploded, growing from 95,280 in 1950 to 575,000 today. For a period, San Jose engaged in rip-roaring annexation wars with some of the other 14 municipalities in Santa Clara County, until at last there was what could be called a series of California Potsdam conferences.

"We sat down and signed formal pacts for future spheres of influence," says Anthony P. Hamann, who was San Jose's city manager for 20 boom years and now is a vice president of the University of Santa Clara. Under the pacts, if there is any annexation in a "sphere," the annexation may be done only by the municipality assigned that sphere.

The shriveling prune

An explosion of commerce and industry has accompanied the population explosion, but there has been no comparable explosion in agriculture.

From 1950 to 1974, agricultural income of the metropolitan area—Santa Clara County, which has a population of 1.2 million—increased from \$84 million to \$96 million. Retail sales zoomed from \$302 million to an estimated \$4 billion, with San Jose city's share about a third of that.

"The land just became too valuable for farming," says Mr. Hamann. "The city and the whole area had embraced industrialization. They

knew that was the only way to go."

The composition of Santa Clara County's agriculture, by the way, has also changed. Prunes once were clearly the area's leading agricultural product. Now, though many a plum is still grown there to be sundried into a prune, cut flowers are the No. 1 agricultural product.

San Jose's past, as well as its present and its expectations for the future, should help to identify it.

It was California's first town.

It was California's first state capital.

It had California's first symphony orchestra.

First settlers

Historian F. Ralph Rambo credits Father Tomas de la Pena with the discovery of what is now San Jose. The Spanish priest celebrated mass there, in the lush Santa Clara Valley, on Jan. 12, 1777. The valley, a broad alluvial area of 832,256 acres, is at the south end of San Francisco Bay, between the Coastal and Diablo mountains.

Later, under orders of Spanish Viceroy Felipe de Neve, nine soldiers, five settlers and their families, and one cowboy established Pueblo de San Jose de Guadalupe, on Nov. 29, 1777. Aside from two cows, two mules, two oxen, two sheep, two goats, seed, and tools, each adult got \$10 a month to make sure he or she would stick it out.

The settlers, carried away a bit by

PHOTOS: GENE DANIELS—BLACK STAR



Three officials who are keenly aware of the need for a solid economic base are City Manager Ted Tedesco (left), Mayor Janet Gray Hayes, and Economic Development Director Stanley Twardus.



ambition, laid out a townsite of 350 square miles.

"Right now, if we grow to our official sphere of influence of 320 square miles, that was agreed to, we would be almost right back where we started," quips Stanley Z. Twardus, the city's director of economic development. "I don't think we are going to do this overnight. San Jose's area is just 150 square miles at the moment."

Before the white man

The first known settlers of the valley, before the Spanish, were the Ohlone Indians, whom historian Rambo tags as "hardly noble . . . or red. They were dull in color, largely because they were dirty. They were a gentle people who exasperated the missionaries. They were too happy-go-lucky to learn the catechism. The missionaries gave them food, clothes, and salvation; then the early settlers gave them whiskey, venereal disease, and smallpox; and they quickly vanished from the area."

Elisha Stephens was the first English-speaking American to come to the valley, but emigrants began coming in force in the 1840's. Among them were survivors of the Donner Party, a group of families trapped by snow in the Sierra Nevada, and some from other famous wagon trains that headed west: Murphy and Bidwell-Burleson.

Joining the U. S. A.

Mexico broke its colonial ties with Spain in 1821 and established itself as an independent nation. California was then part of Mexico, but San Jose did not get around to recognizing its allegiance to the Mexicans until 1828.

In 1846, Capt. Thomas Fallon raised the American flag over the city, and it became part of the United States.

When California became a state in 1850, San Jose was the capital for a year. One history says the city lost that distinction because of its "poor accommodations," although Mrs. L. H. (Grandma) Bascom's "Slapjack Hall," the city's first boardinghouse, was widely acclaimed.

A better explanation may be suggested by the name California's first state legislature picked up when it met in San Jose: the legislature of a thousand drunks.

In its early days, San Jose played

a prominent role in the history of the West.

The first mine in California, the Almaden quicksilver mine, was dug near San Jose. Gang leader Tribunio Vasquez was among California's most notorious badmen until he was hanged in San Jose in 1875.

Jack London took time off from writing novels in a ramshackle bar on Oakland's waterfront to bicycle down to San Jose to "meet a certain lady." Also, in later years, he all but admitted that he stole Buck, the half-St. Bernard, half-shepherd dog hero of "Call of the Wild," from a Santa Clara Valley ranch.

Even Ned Buntline, the penny-novel writer who made Buffalo Bill a legend, dropped by San Jose to pick up a dollar or two by lecturing on temperance.

A poet's tribute

Poet Bayard Taylor visited San Jose in the 1850's and wrote: "I indulge in another dream. . . . I may live to see, before my prime is over, San Jose but five days distant from New York. . . . Then let me build a cottage endowed in acacia, eucalyptus, and tall spars of cypress. . . . There shall my nightingale sing."

This was pretty heady praise for an area that was scratching out a niche for itself from the land, a niche that expanded in 1871, when Dr. James M. Dawson started an industry in a 12-by-16-foot shed. He preserved and packed fruit there, shipping 350 cases that first year. This was the beginning of a fruit and vegetable canning industry that later came to dominate local economy.

Broadening the industrial base

"Just before World War II, a lot of businessmen were thinking we were too dependent on the canning industry," former City Manager Hamann says. "They were, even then, taking steps toward diversifying the economy."

And there has been diversification, springing from two sources:

- The brainpower produced at Stanford University in nearby Palo Alto.
- The needs of World War II.

Stanford-trained scientists pioneered in the booming electronics industry, in the Santa Clara Valley. The industry has given the valley the nickname Silicon Gulch. In the val-



With no shortage of funds for capital investment, Bank of America official James P. Miscoll does not see how San Jose can miss becoming the economic center of northern California.

ley are electronics plants of companies that include IBM, Hewlett-Packard, General Electric, Sylvania, Raytheon, FMC, Ford, Itel, Lockheed, General Motors, Westinghouse, Intel, and dozens of others.

Today, the San Jose metropolitan area contains the highest number of Ph.D.'s in the nation.

They liked what they saw

World War II triggered a burst of manufacturing in the area. The war also introduced San Jose to thousands upon thousands of American servicemen.

They liked what they saw, and many came back to live in the area after the war. So did thousands of others, from all parts of the country, in that restless postwar period.

"I came here in 1950 on my honeymoon, after graduating from the University of Nebraska," says C. Joseph Philbrick, president of KBM Office Equipment, Inc., and chairman of the San Jose Chamber of Commerce.

"I have been on a honeymoon ever since. Where else can you have one daughter skiing four hours away in the Sierras, another surfing on the beach just a bit away, and my wife and I lying around the swimming pool?"



P. Anthony Ridder, general manager of San Jose's two newspapers, says the city lacks a national identity. He wishes San Jose had more professional sports teams to make it better-known. It now has one professional team, Earthquake, which plays soccer.



In San Jose, the chamber of commerce speaks for business. The two top officials are Chairman C. Joseph Philbrick (left) and President Ronald R. James.



Veteran merchant Don Goldeen is shown in front of a new art museum whose construction was part of a downtown revival effort. A convention center is now being built in central San Jose.

The climate is one of the big reasons people like to live in San Jose, where the temperature averages 59.4 degrees year-round and hardly ever gets below freezing, where it rains less than 20 inches a year, and where the sun shines almost every day.

"There is a general appeal to living here," says Mr. Philbrick. "The climate, the pace of life, the availability of just about everything you want to do."

One study ranks San Jose fourth in quality of life among 50 big cities in the nation.

To keep this quality of life, San Jose is going to have to solve some problems.

"Oh, you bet we have problems," says City Manager Ted Tedesco. "Every city has problems. I just think we don't have them in the magnitude of some cities, and I think we are on the right track in knowing what we have to do to solve them."

Jobs and traffic

What are the biggest problems?

"Jobs, for sure," says Mayor Janet Gray Hayes.

"Traffic," says Rep. Norman Y. Mineta (D-Calif.), who preceded Mrs. Hayes as mayor.

"Sure, jobs are one problem," says

Ronald R. James, who is president and chief executive officer of the chamber of commerce and who preceded Congressman Mineta as mayor. "Traffic is another. Creating an air of confidence for the future is another big one."

Metropolitan San Jose's average income per household is estimated at \$17,630 annually, but unemployment is 9.7 percent, down from 11 percent at the height of the recent recession.

Growth with limits

"I campaigned on the slogan, 'Let's make San Jose better before making it bigger,'" says Mayor Hayes. "But I found out when I took office that a big problem was jobs. This was when the recession was at its worst. We must have more industry to provide more jobs."

Construction was one of the hardest-hit industries in the recession. So were service-oriented businesses of the area. Too, there are poverty pockets of people still making the transition from an agricultural way of life to an industrial one. For while the growing of fruit, vegetables, cut flowers, and seeds still plays an important part in the local economy, it is a shrinking source of jobs.

"Growth, but not mindless

growth," in the words of banker Miscoll, is the key to San Jose's continued well-being.

Most people in city government and business agree that the two biggest potential sources of growth are the new foreign trade zone, which President Ford dedicated in May, and increased business activity generated by a city convention center to be completed next year.

The foreign trade zone, where goods from abroad can be stored, processed, or assembled without duty until reexported or shipped to domestic buyers, is a complex which occupies 30 acres in the 375-acre International Business Park. The complex can be expanded as needed, and San Jose's Economic Development Director Twardus expects the zone to generate up to 10,000 jobs in the next decade and up to 20,000 jobs by 1990.

Bringing in industry

Projects such as the trade zone, encouraged by an imaginative city government and cooperative business leaders, bring new industries to San Jose, notes Loren R. McQueen.

Mr. McQueen owns and operates a dozen businesses in and around the city. His principal business is a

worldwide communications consulting firm. It owns the top of Mt. Umunhum, one of the tallest among the peaks overlooking the city. More than 55 communications clients lease space on the mountain.

Mr. McQueen says that another reason why industry seeks out San Jose is "the kind of labor force that is ready to pitch in and do the job. Management and labor have learned to work together for the benefit of everybody."

Seven colleges and universities in the area help to make the work force a highly educated one.

A busy airport

Also an attraction for business, Mr. McQueen notes, is the San Jose Municipal Airport. From it, airlines offer direct service to New York, Washington, Chicago, Dallas, and other U. S. cities, as well as direct flights to Europe.

Some 160 scheduled flights a day are recorded at the San Jose airport.

The new convention center, says Chamber President James, will enable the city to attract big conventions. "Oh, not the Republican or Democratic conventions," he explains, "but those with up to 7,000 people." Last year, the city did an estimated \$18 million in convention business, a figure officials expect to double and triple quickly.

The convention center is going up near Park Center Plaza, a \$75 million office and bank complex. San

Antonio Plaza, next to it, is a 40-acre development of offices and stores.

Reviving downtown

The plazas are part of a downtown redevelopment which Don Goldeen, president of Goldeen's Furnishings, thinks is long overdue. However, he does not believe the redevelopment will make downtown the retail center of the city again.

"Downtown is coming back," he says, "but it will never be the way it was or should be. The biggest mistake the politicians ever made was to let the downtown run down the way they did. Until they get enough backbone to get rid of the sex stores and pornographic movies, downtown is going to be shoddy."

Mr. Goldeen's firm has been anchored downtown for 55 years in the same building. He has suburban stores, but he still does a booming business in the main location.

New attractions in the downtown area are quality restaurants, many with picturesque settings in renovated old buildings.

"I think the gasoline shortage of a couple of years ago is the main rea-

son for our restaurant boom," says Keith Woods of the San Jose chamber. "People who used to drive up to San Francisco for dinner started looking closer to home."

If the gasoline shortage helped spur the restaurant business, it has been the bane of those who see traffic as the city's top problem. Because people cut back on driving temporarily, state gasoline tax revenues plunged, and highway building slowed to a crawl.

This left San Jose with one freeway partially completed and another badly needed freeway still in the planning stage, as traffic volume rose again.

Freeways lagging

"This whole town has been built around freeways in recent years," says Chamber Chairman Philbrick. "The whole downtown area was envisioned as connecting with one freeway or another. We really have to get the highway and road-building program going."

Some claim the freeways crisscrossing San Jose are the "world's longest parking lot" during the five o'clock rush hour. To help in some degree, there is now a countywide bus service, supported in part by a half-cent share of the city sales tax.

"The bus service will help," Mr. Philbrick says. "But you really are never going to get rid of the automobile."

To help fight pollution, all buses, more than 500 of them, will burn propane.

"The people here are just as concerned about the environment as anyone else," says Chamber President James. "But I think we all feel that we don't want to go too far. We want the way of life we have, but we know we have to have business to give us the means to afford it."

The spirit of 1850

When the city celebrates its 200th birthday next year, there won't be any movement, as there once was, to celebrate that milestone by taking a new name: Garden City.

But San Jose can be expected to show something of the same old spirit that its citizens showed on Nov. 4, 1850. That was when they proudly organized Fire Engine Co. No. 1, even though they had no fire engine. □



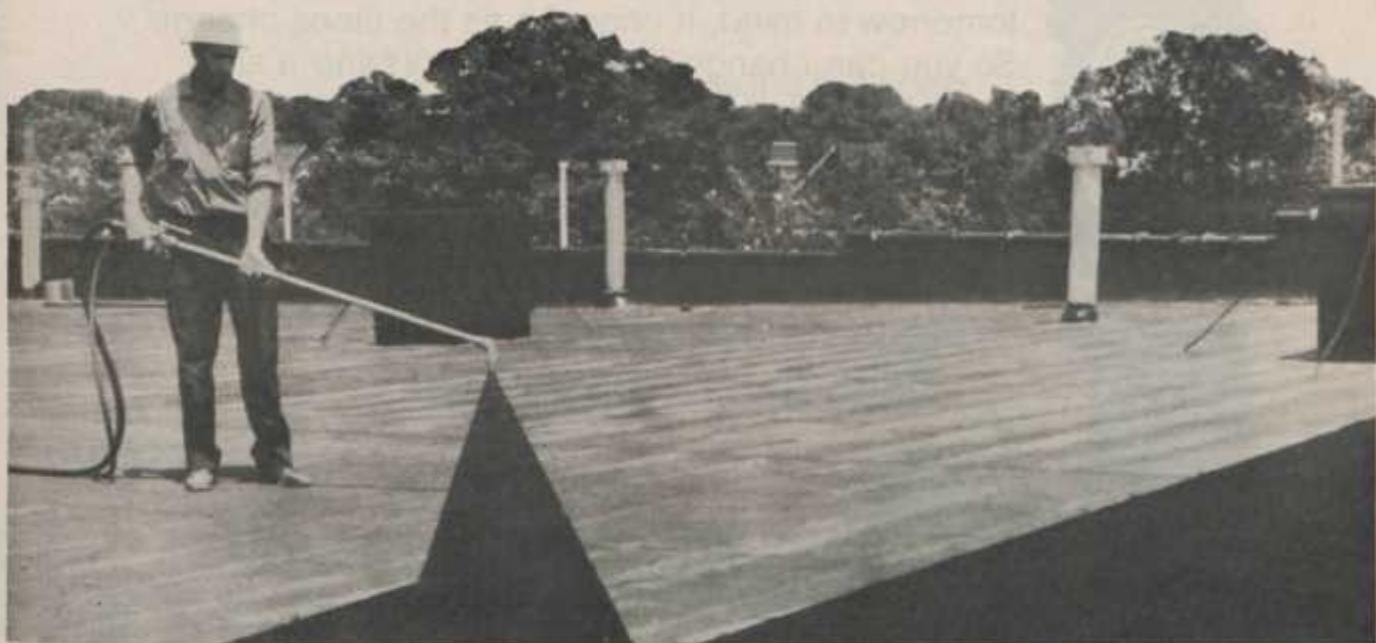
Loren R. McQueen, who owns and runs a dozen businesses in and around San Jose, says labor and management work well together for everyone's benefit. He feels this attracts new industry.



Anthony P. (Dutch) Hamann was city manager of San Jose during 20 years of explosive growth. He is shown on the campus of Santa Clara University, in front of a mission wall built in 1770.

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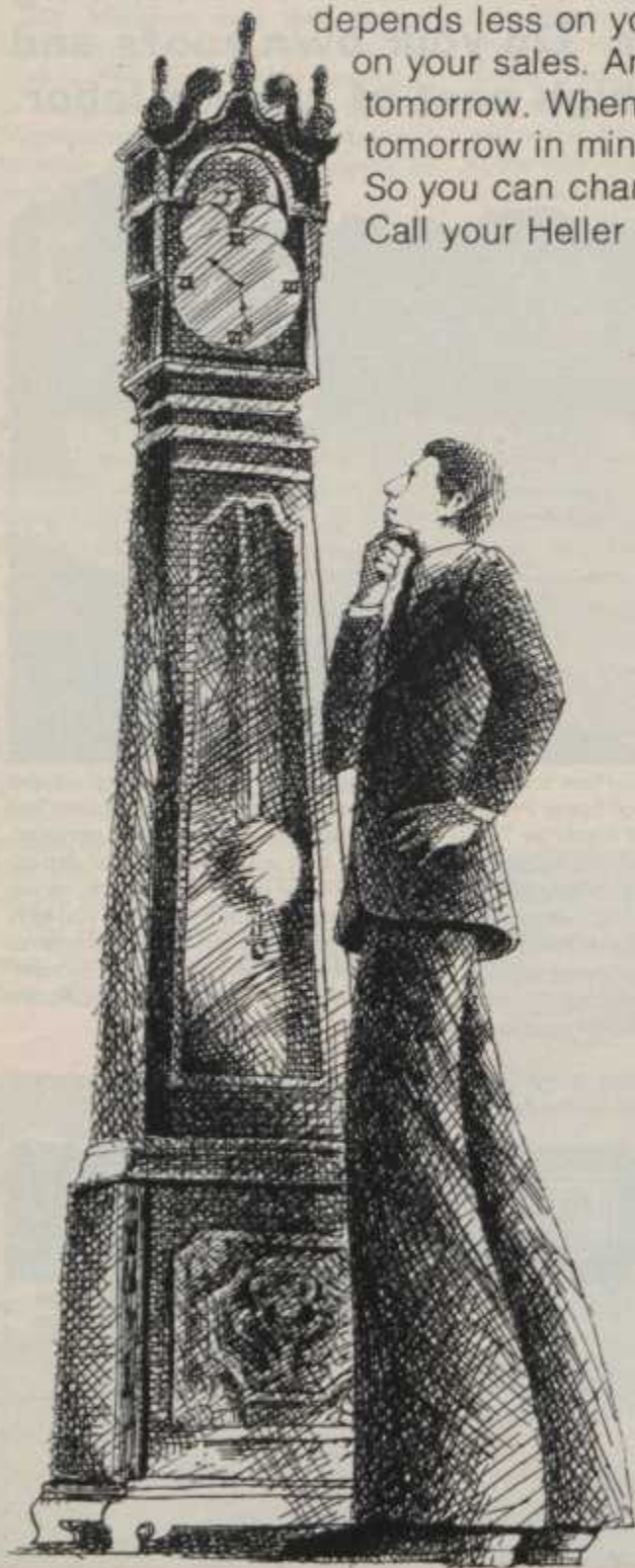
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The Economic Consequences of Détente

Relaxation of tensions between the U. S. and the U. S. S. R. has had only a minor effect on trade between the two nations, an expert says, but it has had a significant effect on Soviet trade with other noncommunist countries

BY DR. PENELOPE HARTLAND-THUNBERG

IN BOTH the United States and the Soviet Union, an expansion of bilateral trade was once expected to flow from détente. How much expansion has materialized?

A look at what has been happening in recent years leads to the conclusion that détente—the President now prefers to call it “a relaxation of tensions”—has had only a minor effect on trade between the U. S. and the U. S. S. R.

At the same time, however, détente has had an important effect on trade between other sectors of the Western world and the Soviets.

Annoyance in the Kremlin

One reason that Soviet-U. S. trade has not increased more sizably is that changes which the Soviets wanted in American export-import policy have not taken place.

The Soviet Union has long chafed at the fact that Soviet goods are dutiable in the United States at statutory rather than most favored nation rates, a difference which in certain cases can be prohibitive. Also, U. S. export controls aimed at denying the Soviets American goods of strategic advantage are a source of Soviet annoyance, although such curbs have been vastly reduced from those prevailing during the Cold War period.

How much difference elimination of these types of discriminatory treat-



Dr. Hartland-Thunberg is director of economic research at the Georgetown University Center for Strategic and International Studies.

ment would make in the volume of American-Soviet trade is a matter of dispute; nevertheless, to the Kremlin, there is no disputing that the U. S. S. R. is being injured by this treatment. Why?

First, Soviet economic growth rates have been declining since the

1950's. The causes of the slowdown in Soviet growth include one emphasized by the Soviet leadership—inadequate access to Western technology.

High growth rates in the 1950's and 1960's were largely due to the fact that the U. S. S. R. was doing the simplest things first—transforming existing industries, in which it had already acquired some expertise by importing machinery and equipment as prototypes; exploiting its most accessible natural resources; and working its existing infrastructure, especially its rail net, to capacity.

As the technological gap narrowed, the stimulus to growth available from borrowing additional technology became more limited. Also, the tasks remaining were more difficult, and the necessary expansion of the resource base and infrastructure was more costly in real terms.

Impressed by U. S. feats

The Soviet leadership, however, has always been greatly impressed by U. S. technological accomplishments. It seems to believe that unimpeded access to U. S. technology would aid in overcoming its growth problem.

Another reason that the Kremlin feels the Soviet Union is being injured by U. S. export-import policy is that this policy appears to deny the

U. S. S. R. the status of superpower.

The U. S. S. R. has, throughout its history, aimed at superpower status—at being accorded equal treatment in international forums with and by the United States. The fact that the U. S. discriminates against the Soviet Union in international economic relations is galling to the Soviet leadership. Economic relations are the one remaining area wherein the United States has not yet recognized the U. S. S. R. as an equal; such recognition has high priority to the Soviets.

Prospect for the U. S.

The prospect of economic benefits to the United States was one of the advantages listed by U. S. proponents of the détente policy, although economic gains from détente have never been given as much emphasis here as in the U. S. S. R. The size of the Soviet market and the expansion of Soviet foreign trade since the 1960's at a rate more rapid than expansion of total world trade were noted.

At the same time, it was recognized, in official circles at least, that the Soviet philosophy of economic development limits trade potential. The U. S. S. R. has a planned economy oriented toward growth in directions determined by the Kremlin. Soviet trade and price structures are manipulated to achieve planning goals and to insulate the domestic economy against external influences.

Exports are viewed as a necessary evil. Reserves of gold and convertible currency are chronically short, implying that export receipts are required to finance imports, although the Soviets currently are tapping Western money markets extensively.

The structure of Soviet trade with the industrial West remains that of a less developed country. Exports are composed primarily of raw materials, while imports primarily are finished manufactured products, especially machinery and equipment. Operating at home in a seller's market, the Soviets have little experience in selling techniques and have not been successful in marketing manufactured goods abroad. Many of the raw materials they export—the largest Soviet export item is petroleum—are produced in operations that are high in cost compared to similar operations in the West.

There has been considerable growth in U. S.-U. S. S. R. trade since détente began. U. S. exports to the U. S. S. R. increased from \$105.5 million in 1969 to \$1.8 billion in 1975. Excluding the 1975 U. S. grain sales, the figures are less spectacular, but still impressive—nongrain exports amounted to \$900 million last year.

(I exclude grain, because total U. S. grain exports and domestic grain prices would have been about the same whether or not the U. S. S. R. acquired its imports from the United States. If the Soviets had not imported grain from the U. S., they would have imported it from elsewhere, and this would have led

"The causes of the slowdown in Soviet growth include . . . inadequate access to Western technology."

to increased buying of U. S. grain by other countries.)

Meanwhile, U. S. imports from the U. S. S. R. went from \$51.5 million in 1969 to \$277 million in 1975.

Percentage-wise, the trade between the two countries has loomed larger for the U. S. S. R. than for the U. S. The U. S. S. R. has never taken more than two percent of our exports or provided as much as one percent of our imports. But the U. S. share of total Soviet trade with noncommunist countries in 1975 was eight percent of Soviet imports and 2½ percent of Soviet exports.

How big a role has détente played in the growth of U. S.-Soviet trade?

Essentially, the Soviets have bought from the U. S. only what they needed. If there had been no détente, the Soviets would undoubtedly have pursued an ambitious import program anyway, because of the same basic factors that led the Kremlin to want détente—namely, sagging growth rates and the belief that the solution to retarded growth lay in imports of Western, and especially U. S., technology. It seems safe to conclude that bilateral trade would

still have increased about as much as it did.

Meanwhile, however, the relaxation of tensions between the two superpowers has had an unmeasurable, but undoubtedly significant effect on Soviet trade with other noncommunist countries.

Rivalry for Soviet trade

Soviet imports from the noncommunist developed world increased from 24 percent of total Soviet imports in 1969 to 36 percent in 1975. In large part, of course, this expansion reflects the importance which the U. S. S. R. attaches to imports of industrial equipment. But the fact that western Europe and Japan permitted it to occur is also a reflection of the rising competition for Soviet contracts encouraged by a period of relaxing tensions.

Most of the noncommunist world has, since the early 1950's, perceived itself to be dependent on U. S. military power for protection against Soviet nuclear aggression. Such dependence inevitably assumes a lower priority in foreign policy determination when animosity between the superpowers subsides.

For this reason, and also because increasing economic power in western Europe and Japan has meant that other industrial countries are less dependent on the U. S. as a market and source of imports, a spirit of competition and, at times, of confrontation with the U. S. has replaced an earlier pattern of economic cooperation.

Not only has this new mood in economic relations encouraged an expansion of other industrial countries' relations with the U. S. S. R., but it has been basic to a fraying of relations between the United States and many of its allies.

Negative balance?

To date, then, the balance of gains and losses traceable to the economics of détente appears to be marginally negative for the U. S. The expansion of bilateral trade that has occurred would, for the most part, probably have taken place anyway.

In addition, détente appears to have contributed to greater competition and less cooperation from traditional allies of this country, a change which has served to further the economic interests of the Soviet Union, but not those of the United States. □

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Businesses Help Teachers to Learn Politics

MANY of the men and women responsible for teaching about American government in schools across the nation have far too little knowledge of our political process.

A sampling of more than 1,000 elementary and high school teachers showed that roughly 30 percent had little academic background in political science and 20 percent had not taken a single course in the subject. Fewer than seven percent had majored in political science in college.

But the situation can be changed.

For 14 years, The Robert A. Taft Institute of Government has been getting teachers together for instruction in how to teach their students the intricacies of the American political system.

The teachers learn from experts who donate their time. The experts include senators, congressmen, presidential advisers, governors and other state officials, Republican and Democratic party leaders, newspaper columnists, lobbyists, local officials, and businessmen.

Each summer, the institute, established by friends of the late Senate Republican leader from Ohio, conducts seminars that run from two to six weeks. Teachers who attend pay only a modest registration fee; all other expenses are paid by the institute. The seminars are held at 35 colleges and universities around the country.

Some 10,000 teachers have gone through the course. Together, they teach more than one million students annually, so the snowballing effect of what they learn at the seminars is obvious. And the institute expects to have an even more widespread effect as more teachers take the course.

"Lifelong ideas about government and politics and the proper role of the citizen are formed beginning in grade school years and continuing through high school," says Lowell Wadmond, chairman of the institute's board of trustees. "Teachers have an awesome responsibility for



Hubert Humphrey is one of scores of political, business, and news figures who have donated time to help teachers learn about the political process. Some 10,000 teachers have attended seminars around the country sponsored by the New York-based Robert A. Taft Institute of Government.

transmitting the values of democracy from one generation to the next, and The Taft Institute is trying to help them."

The institute depends heavily on corporation and foundation grants. The average cost of sending one teacher to a Taft seminar is \$550.

More and more corporate leaders are being brought into the program so they can explain the role of business and government. Meanwhile, financial donations by business have been increasing.

"But often, we must educate corporate leaders on how important it is for young people to learn about the political system as well as the economic system," says Marilyn Chelstrom, executive director of the institute.

"Many young people are turned off on corporations, on big businesses. In the Taft seminars, we point out that businesses are not freewheeling agents making all the profits they can in any way they can, as so many young people believe. Instead, we point out, businesses must work within all sorts of controls and regulations established by various legislative bodies, which are made up of persons elected to office by the individual citizens."

In any given year, the Taft faculty roster reads like a who's who in American government. When he was a congressman, President Ford took

part. Former Vice President and now Sen. Hubert H. Humphrey, Democratic National Chairman Robert S. Strauss, and Republican National Chairman Mary Louise Smith have also participated.

"Our emphasis is on practical politics—not the textbook approach to 'how-a-bill-becomes-a-law,' but the down-to-earth nitty-gritty of how politics works," explains Miss Chelstrom. "Taft fellows talk about how candidates are selected, why political party participation is important, how politics is financed, how campaigns are run, what lobbyists do, what the press does, and the how and why of political surveys. Most importantly, Taft fellows discuss the citizen's role in the whole process. Individuals learn they really can have something to say."

Many of the teachers have negative feelings about politics and politicians when they arrive on campus. They talk about corrupt politics and how politics is something for an elite few.

Their attitudes change, however, as they take the course.

Says one teacher: "I feel now that, although I might still not be politically effective, I can at least begin to understand and perhaps participate. I feel also that I can show my students how they, too, can begin. And just beginning is a big step for us both."



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BUSINESS: A LOOK AHEAD

Small Business Law Aids Farmers, Raises Loan Limits

The Small Business Administration now will have to treat farmers the same as any other small businessmen.

This is just one of the features in S. 2498, a bill which amends the Small Business Act and the Small Business Investment Act. The President recently signed S. 2498 into law.

In the past, SBA has administratively excluded the farmer from its programs, contending that a farmer is a farmer, period. So the Farmers Home Administration and other Agriculture Department agencies have had the sole responsibility of providing the farmer with financial assistance and services.

Under the new law, SBA can step in to provide assistance and services when these agencies fail to do so. In theory, the farmer will be able to obtain SBA assistance for expansion and for such things as buying water pollution abatement equipment and meeting occupational safety and health needs. This provision applies not only to farming, but also to ranching, aquaculture, and certain types of small businesses involved in food production.

Also included in the act are provisions to increase loan limits for individual businesses, state and local development companies, and small business investment companies; and to establish a new program for financing pollution control equipment.

While the maximum amount for loans made directly by SBA and for participatory loans—those SBA makes in conjunction with banks—remains \$350,000, the maximum for SBA-guaranteed loans has been raised from \$350,000 to \$500,000. The change has been made in recognition of the impact of inflation. The \$350,000 maximum was established in 1958.

The maximum amount for economic opportunity loans has been increased from \$50,000—set in 1972—to \$100,000. The limit on SBA loans to state and local development companies has been increased from \$350,000—set in 1961—to \$500,000. Mean-

while, SBA has for the first time been given authority to make loans to these companies so they can acquire existing plant facilities.

Also, SBA has been authorized to guarantee tax-exempt industrial revenue bonds issued by states or communities to finance pollution control equipment for small businesses. A \$15 million revolving fund will be established by the Treasury to finance this new program.

More leverage for small business investment companies comes from increases in the amount they may borrow from the federal government. Now, SBIC's generally may borrow \$3 for every \$1 they have in private capital, instead of the previous \$2 for every \$1. SBIC's that provide equity capital now may borrow \$4 for every \$1 in private capital, instead of the previous \$3 for every \$1.

Speedier Action Is Sought in U. S. Contract Disputes

Sen. Lawton Chiles (D.-Fla.) has proposed a system to speed up decisions on contract disputes between private contractors and the federal government.

He has introduced a bill which he says will reestablish the principle of equitable treatment for both the government and contractors in contract disputes and claims. In recent years, he claims, the government has had all the clout.

Key elements of the bill, S. 3512, include requiring that a reasonably prompt time limit be set for moving disputes to successively higher levels for resolution, such as from a contracting officer to an agency's appeals board to a federal court.

The bill also would grant both the government and the contractor the right to judicial review of appeals board decisions and empower the courts to get additional facts in a case without having to send the case back to an agency board for more information.

An innovation, too, would be the creation of a small claims board, similar to a small claims court, to handle disputes involving less than \$25,000.

Job Safety Panel Plans Fewer Reviews of Cases

There is some good news for businesses cited for job safety or health violations by the Occupational Safety and Health Administration but found innocent. In the past, such firms have frequently had to undergo the expense and loss of time involved in a review by the Occupational Safety and Health Review Commission.

Now, that body, admitting it has been sliding downhill in efforts to cope with a growing case load, is proposing to clip its own wings and reduce the number of reviews.

Instead of allowing each individual commissioner wide latitude in ordering reviews of decisions by the agency's law judges, the commission proposes to permit reviews only in two circumstances: When there is a valid petition by a party involved, or when a policy or legal question is clearly involved.

Review orders by commissioners have been generating more cases than are being settled.

Shorter Lives for Federal Advisory Committees?

Advice is plentiful in Washington, but it is not necessarily cheap when it comes from advisory committees.

Sen. J. Glenn Beall, Jr. (R.-Md.) thinks the \$51.7 million that bodies advising the government cost last year was a bit much. He thinks the number of these groups—more than 1,300—is a bit much, too.

To shorten the life expectancy of such committees, the senator has introduced a bill that would require Congress every two years to review the reasons for their existence and to decide whether they should be continued.

Membership on the committees now totals more than 22,000. Members are not paid salaries, but they are reimbursed for expenses. In addition, the committees have paid staffs.

The most-advised agency is the Department of Health, Education, and Welfare, with 322 separate advisory boards. Next are the Agriculture Department, with 168, and the Interior Department, 109.

Federal Pension Aid Asked for Policemen and Firemen

At a time when Congress seems bent on cutting the costs of providing pensions to civilian federal government and military retirees, it is being asked to consider contributing to the pensions of state and local policemen and firemen.

Uncle Sam now does not make any contribution to

these pensions. Sen. James B. Allen (D.-Ala.) has introduced a bill that would have the federal government supplement by 25 percent the amount received by a retired policeman or fireman under a state or local pension plan. He says this would be appropriate because such policemen and firemen often risk their lives in aiding Uncle Sam.

Economic Opportunities in Space to Be Explored

It is not too early to start considering the economic development of space, the National Aeronautics and Space Administration believes.

The space agency sometime this fall will award two \$200,000 contracts, one to an aerospace company and one to a research firm, to "develop an evolutionary space industrialization program" leading to permanent, practical economic use of space.

According to NASA, entrepreneurs with an eye toward business opportunities in space might consider these as prospective activities:

Manufacture of materials including chemicals and medicines; development of new materials and processes; communications; weather services; earth resources prospecting; ultimately, the movement of people to space for tourist or other purposes; and the eventual industrialization of the moon.

Red Tape Is Slashed for Aviation Exports

The Commerce Department has issued regulations that will result in a drastic reduction in the number of applications for permission to export aircraft.

The old procedure required an individual license application for each general aviation aircraft to be exported, whether the craft was a small single-engine plane or a multi-engine executive jet.

Now, the license requirement has been eliminated for exporting general aviation aircraft that are equipped with standard communications equipment.

In addition, exporters of aircraft equipped with more complicated and sophisticated equipment will not have to apply for individual licenses for every aircraft. They will be able to obtain a single license to deal with their foreign distributors. These changes will not apply to sales to all nations.

For foreign policy reasons, licenses will still be required for exports of all types of aircraft to Arab countries, the Republic of South Africa, Southwest Africa (Namibia), Gabon, and Angola, and to the Soviet bloc and other countries such as Rhodesia and Cambodia, with which the U. S. restricts trade.

But applications for licenses to export aircraft to other nations may drop from as many as 4,000 a year to as few as a dozen or so.

A Case Where Congress Should Profit From Experience

THE IDEA that massive government intervention in the private sector can solve economic problems has been thoroughly discredited by experience.

For example, wage and price controls imposed in the early 1970's failed to halt inflation. Inflation continued to worsen because nothing was done about the excessive government spending that caused it.

Many members of Congress refuse to learn from such setbacks.

Those members are now pressing for one of the most grandiose governmental invasions of the private economic system yet devised.

Their plan is known formally as the Full Employment and Balanced Growth Act of 1976. It is generally referred to as the Humphrey-Hawkins bill, because its sponsors are Sen. Hubert H. Humphrey (D.-Minn.) and Rep. Augustus F. Hawkins (D.-Calif.).

This legislation would require the President to develop economic policies to reduce the unemployment rate to three percent. The rate was most recently reported to be 7.5 percent.

The bill would provide huge amounts of money so the government could be the employer

of last resort and could shore up state and local government finances during economic downturns. Other major provisions of the legislation would put the federal government into the business of central economic planning.

Estimates of the measure's costs range up to \$50 billion a year.

The business community is firmly opposed to the bill because of the costs, which could bring on another round of runaway inflation. There is also the threat of drastically increased government meddling in the private sector under the guise of centralized planning.

Rep. Bill Frenzel (R.-Minn.) is one of the more outspoken opponents of the legislation. In commenting on it, he expresses what is on the minds of a lot of businessmen.

He says:

"This [bill] would transfer our very limited resources from private sector activities, such as capital investment and the creation of productive jobs, into fruitless, make-work jobs. It is an elaborate scheme for excessive government intervention in our free enterprise system and a major encroachment on our individual freedoms."

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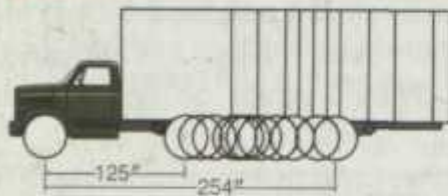
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